1 FW 3625

Effective on 12/08/2004.
Fees pursuant to the Consolidated Appropriations Act, 2005 (H.R. 4818).

FEE TRANSMITTAL
For FY 2005

☐ Applicant claims small entity status. See 37 CFR 1.27

TOTAL AMOUNT OF PAYMENT ($) 130.00

Complete if Known	
Application Number	09/670,562
Filing Date	09-27-2000
First Named Inventor	Thomas G. Woolston
Examiner Name	
Art Unit	3625
Attorney Docket No.	

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FEE CALCULATION

1. BASIC FILING, SEARCH, AND EXAMINATION FEES

	FILING FEES		SEARCH FEES		EXAMINATION FEES		
Application Type	Fee ($)	Small Entity Fee ($)	Fee ($)	Small Entity Fee ($)	Fee ($)	Small Entity Fee ($)	Fees Paid ($)
Utility	300	150	500	250	200	100	_____
Design	200	100	100	50	130	65	_____
Plant	200	100	300	150	160	80	_____
Reissue	300	150	500	250	600	300	_____
Provisional	200	100	0	0	0	0	_____

2. EXCESS CLAIM FEES

Fee Description	Fee ($)	Small Entity Fee ($)
Each claim over 20 (including Reissues)	50	25
Each independent claim over 3 (including Reissues)	200	100
Multiple dependent claims	360	180

Total Claims	Extra Claims	Fee ($)	Fee Paid ($)
_____ - 20 or HP =	_____ x _____	= _____	

HP = highest number of total claims paid for, if greater than 20.

Indep. Claims	Extra Claims	Fee ($)	Fee Paid ($)
_____ - 3 or HP =	_____ x _____	= _____	

HP = highest number of independent claims paid for, if greater than 3.

Multiple Dependent Claims	
Fee ($)	Fee Paid ($)
_____	_____

3. APPLICATION SIZE FEE

If the specification and drawings exceed 100 sheets of paper (excluding electronically filed sequence or computer listings under 37 CFR 1.52(e)), the application size fee due is $250 ($125 for small entity) for each additional 50 sheets or fraction thereof. See 35 U.S.C. 41(a)(1)(G) and 37 CFR 1.16(s).

Total Sheets	Extra Sheets	Number of each additional 50 or fraction thereof	Fee ($)	Fee Paid ($)
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4. OTHER FEE(S)

	Fees Paid ($)
Non-English Specification, $130 fee (no small entity discount)	
Other (e.g., late filing surcharge): fee under 37 C.F.R. § 1.17(h)	$130.00

SUBMITTED BY

Signature	[signature]	Registration No. (Attorney/Agent) None	Telephone 408-376-6359
Name (Print/Type) Jay B. Monahan			Date April 22, 2005

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TRANSMITTAL FORM

(to be used for all correspondence after initial filing)

Total Number of Pages In This Submission

Application Number	09/670,562
Filing Date	09-27-2000
First Named Inventor	Thomas G. Woolston
Art Unit	3625
Examiner Name	
Attorney Docket Number	

ENCLOSURES *(Check all that apply)*

- [✔] Fee Transmittal Form
  - [✔] Fee Attached
- [ ] Amendment/Reply
  - [ ] After Final
  - [ ] Affidavits/declaration(s)
- [ ] Extension of Time Request
- [ ] Express Abandonment Request
- [ ] Information Disclosure Statement
- [ ] Certified Copy of Priority Document(s)
- [ ] Reply to Missing Parts/ Incomplete Application
  - [ ] Reply to Missing Parts under 37 CFR 1.52 or 1.53

- [ ] Drawing(s)
- [ ] Licensing-related Papers
- [ ] Petition
- [ ] Petition to Convert to a Provisional Application
- [ ] Power of Attorney, Revocation Change of Correspondence Address
- [ ] Terminal Disclaimer
- [ ] Request for Refund
- [ ] CD, Number of CD(s) _____
  - [ ] Landscape Table on CD

- [ ] After Allowance Communication to TC
- [ ] Appeal Communication to Board of Appeals and Interferences
- [ ] Appeal Communication to TC (Appeal Notice, Brief, Reply Brief)
- [ ] Proprietary Information
- [ ] Status Letter
- [✔] Other Enclosure(s) (please identify below):
  - Filing regarding Application No. 09/670,562
  - Return Receipt Postcard

Remarks

SIGNATURE

Firm Name	eBay Inc.
Signature	
Printed name	Jay. B. Monahan
Date	April 22, 2005

Reg. No.	None

CERTIFICATE OF TRANSMISSION/MAILING

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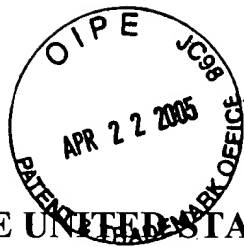
IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of: THOMAS G. WOOLSTON   Examiner: Unknown

Application No. 09/670,562   Group Art Unit: **3625**

Filing Date: 09-27-2000

U.S. Patent and Trademark Office
Customer Window
Randolph Building
401 Dulany Street
Alexandria, VA 22314

U.S. Patent Application Serial No. 09/670,562 was filed on 09-27-2000 by Thomas G. Woolston. The '562 application is just one application of a family of 18 related patent applications. Throughout Woolston's 18 applications, the Office has cited numerous invalidating prior art references against hundreds of similar claims. Given Woolston's strategy of overwhelming the Office with volumes of similar claims in different, copending, and related applications, while failing to disclose one examiner's findings to another, the Office understandably has, on occasion, inconsistently applied findings regarding the disclosure of the prior art and the disclosure of Woolston's applications over the last nine years. For the reasons set forth below, pursuant to 37 C.F.R. § 1.182, the undersigned respectfully requests that the U.S. Patent & Trademark Office take notice of these prior findings, set forth below, in each of Woolston's pending applications and that they be applied consistently in the present application. This request has been served upon the Applicant, as evidenced by the attached Certificate of Service. The fee required by 37 C.F.R. § 1.17(h) is enclosed.

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INDEX OF WOOLSTON'S APPLICATIONS DISCUSSED HEREIN

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- App. No. 09/166,779 filed on 10-06-1998 (the "'779 application")
- App. No. 09/203,286 filed on 12-01-1998 (the "'286 application")
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- App. No. 09/418,564 filed on 10-15-1999 (the "'564 application")
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- App. No. 09/644,857 filed on 08-24-2000 (the "'857 application")
- App. No. 09/670,561 filed on 09-27-2000 (the "'561 application")
- App. No. 09/670,562 filed on 09-27-2000 (the "'562 application")
- App. No. 09/779,551 filed on 02-09-2001 (the "'551 application")
- App. No. 10/740,151 filed on 12-17-2003 (the "'151 application")
- App. No. 10/824,322 filed on 04-13-2004 (the "'322 application")
- App. No. 90/006,956 filed on 03-08-2004 (the "'265 re-examination")
- App. No. 90/006,957 filed on 03-08-2004 (the "'176 re-examination")
- App. No. 90/006,984 filed on 03-29-2004 (the "'051 re-examination")

I. INTRODUCTION.

Over the past nine years, Thomas Woolston and his company "MercExchange" have sought to leverage Woolston's and MercExchange co-owner John Phillips' knowledge as patent attorneys in an effort to patent virtually any e-commerce sales model, from Priceline's name-your-own-price travel reservations to generic online auctions and retail sales. Their campaign has included at least:

- 18 applications before at least 15 different examiners;
- 1 attempted interference;
- 3 appeals to the Board of Patent Appeals and Interferences; and
- 2 civil lawsuits against the Patent Office.

The Office has correctly recognized and rejected Woolston's attempts to claim methods that were well known in the prior art and not described in his disclosure of a computer network of consignment stores. However, Woolston's strategy of pursuing hundreds of similar claims in his eighteen applications, without disclosing one examiner's findings to another, inevitably has led to some inconsistent results.

Under most circumstances the present request would be unnecessary, as an applicant's duty to disclose the material findings of one examiner in related applications is sufficient to prevent such inconsistent findings. As the Federal Circuit recently warned: ***"Without such a disclosure requirement 'applicants [may] surreptitiously file repeated or multiple applications in an attempt to find a 'friendly' Examiner.'"*** Dayco Products, Inc. v. Total Containment, Inc., 329 F.3d 1358, 1367 (Fed. Cir. 2003). Thus, it is "important for [an examiner] to know that another knowledgeable Patent Examiner had carefully examined and rejected all claims of [another] application, including claims that were directly related to claims in the [present]

application, on the grounds that the claims were obvious in light of prior art patents." *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co.*, 837 F.Supp. 1444, 1474 (N.D. Ind. 1992).

The importance of this information in Woolston's applications is heightened by positions he has taken outside of the Office. For example, Woolston has asserted that one of his patents—each claim of which stands rejected in reexamination—entitles him to hundreds of millions of dollars, despite the fact that the Office has found that every claim limitation is taught by prior art never applied during the patent's prosecution. Moreover, Woolston has given every indication that he intends to make similar assertions with regard to any other patents it may obtain.

In view of Woolston and Phillips' failure to disclose relevant findings to the Office among their applications and the expense and the attendant risk of defending an infringement action where a patent may be presumed valid without the Office having been provided all relevant information, it is of critical importance to the public—and to Requester specifically—that the Office be presented with, and consistently apply, all information regarding the prior art among Woolston and Phillips' applications. Thus, Requester respectfully requests that the U.S. Patent & Trademark Office take notice of these prior findings and apply them consistently in the present application.

II. WOOLSTON PATENT FAMILY OVERVIEW.

A. Woolston's April and November 1995 Applications.

1. Woolston's April 1995 '820 application.

In April 1995, Woolston filed his first application, U.S. Application No. 08/427,820 ("'820 application"), explaining that "[t]he prior art does not provide a means to electronically market used goods or provide an avenue to allow participants to speculate on the price of collectable or used goods in an electronic marketplace." '820 App. at 1, lines 14-16. To address this problem, the '820 application described installing a computer network at a number of licensed consignment stores:

> *The present invention is a network of consignment nodes. A consignment node is a computer database of used goods preferably operated by a used good, collectable shop keeper or a bailee. All consignment nodes [sic] users or operators, hereinafter users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Thus, the network provides a trusted means for consignment node users, e.g. shopkeepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching others [sic] shops to locate hard to find collectibles [sic] items, and a means to electronically present goods to a market.*

'820 App. at 2, lines 13-22. After the Board of Patent Appeals and Interferences ("BPAI") affirmed the rejection of all the '820 application's claims, Woolston sued the Office in Federal Court, seeking to compel their allowance. Woolston dismissed the lawsuit and agreed to abandon the '820 application after nearly a decade of prosecution, but only after filing two additional continuation applications last year.[1]

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[1] As a condition of the dismissal, the BPAI's findings in the '820 application were agreed to not have *res judicata* effect as to any additional evidence of secondary considerations of nonobviousness or to any amended claims presented in a continuing application. Thus, while *res judicata* did not procedurally bar Woolston from presenting amended claims in his '151 and '322 continuation applications, the substance of the Office's findings regarding the prior art remain undisturbed and entirely relevant to any new claims.

2. Woolston added substantial new matter in a November 1995 continuation-in-part.

Woolston filed a continuation-in-part in November 1995, U.S. Application No. 08/564,704 ("'704 application"). The '704 application added a second embodiment focused on "a way for small to medium size business to use a low cost posting terminal in conjunction with a market maker computer to collectively create a virtual market for used and collectible goods." '704 App. at 1, lines 20-23.

Despite some similarity to the original April 1995 embodiment, the November continuation-in-part added a substantial amount of new matter, including the first reference to the worldwide web and the first description of entering item information at a computer located remotely from the electronic market—albeit still at a trusted consignment store using the market system's equipment. *See* Exh. 1 (redline comparison of the April and November disclosures). The addition of this new matter is significant because MercExchange has asserted that all its claims are entitled to an April 1995 priority date even though they are supported—if at all—only by matter added in the November 1995 continuation-in-part.[2]

B. Since October 1998, Woolston and Phillips have flooded the Office with 16 continuing applications claiming priority to the April and November 1995 applications.

After watching the e-commerce industry develop for three years after filing the 1995 applications, Woolston and his partner, Phillips, began to recast the "invention" in a series of continuing applications beginning in late 1998. As illustrated below and based on information and belief, since October 1998, MercExchange has filed sixteen continuing applications,

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[2] Thirteen of MercExchange's applications include the new matter added in the '704 application in November 1995. A red-line comparison of the April and November applications is attached hereto as Appendix C.

including two last year nearly a decade after its April 1995 application[3]:

MERCEXCHANGE APPLICATION FAMILY
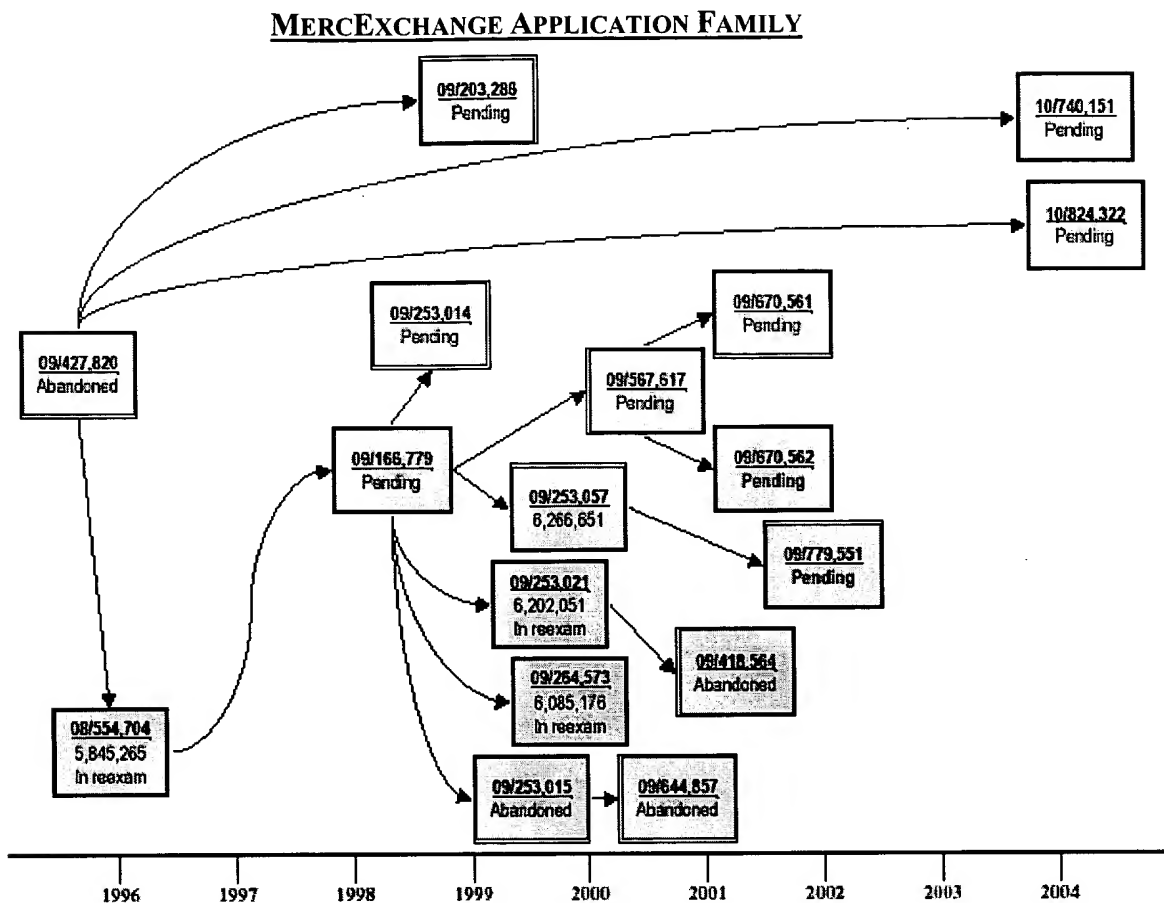
Throughout these applications, Woolston and Phillips have attempted to recast their consignment store network to try to claim whatever e-commerce model was most popular at that time, including:

- Name-your-price travel reservations;
- Online price comparisons;
- eBay's person-to-person auction model;
- Online automobile sales; and
- The distribution of advertising on the Internet.

Not surprisingly, Woolston's efforts have been met with resistance both before the Office and in Federal court.

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[3]   Woolston has also obtained U.S. Patent No. 6,162,123 entitled "Interactive Electronic Sword Game" from an unrelated application.

C. **The Federal Circuit held one of Woolston's patents invalid as a matter of law and the Office has found substantial questions of patentability exist for three of Wooslton's patents.**

Three of the patents Woolston and Phillips obtained from the modified disclosure of its November 1995 continuation-in-part[4] (U.S. Patent Nos. 6,202,051, 6,085,176, and 5,845,265) have been the subject of litigation MercExchange brought against eBay. Shortly after construing the three patents' claims, the District Court granted summary judgment that all claims of the '051 patent were invalid for lack of written description under 35 U.S.C. § 112, finding "the claim language 'debiting a seller's account the commission or fee from a transaction' is not adequately supported by the written description." *MercExchange L.L.C. v. eBay Inc., et al*, 271 F. Supp. 2d 789, 794 (E.D. Va. 2002). With respect to the remaining '176 and '265 patents, a jury trial was held in April-May 2003. The jury held that MercExchange had met their burden of proof to prove infringement and that eBay had not met its burden of proving invalidity by clear and convincing evidence. On March 16, 2005, a Federal Circuit panel ruled that the claims of the '176 patent were invalid as a matter of law, the '265 verdict was supported, and that there was, with all inferences drawn in MercExchange's favor, a triable issue of fact on whether the '051 claims were adequately supported under § 112.

After the verdict, the Office granted eBay's petitions for re-examination of the '051, '176, and '265 patents in light of substantial questions of patentability raised by prior art not considered by the patents' examiners—much of which was known to Woolston during their prosecution. As of the date of this submission, every claim of the '051 and '265 patents stand rejected and re-examination of the '176 patent is not necessary for the claims invalidated by the

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[4]   A review of the patents' prosecution files suggests that their claims were afforded the April 1995 priority date, as no references dated between April and November 1995 were apparently considered during examination.

Federal Circuit's ruling.

As evidenced by the Office's reexamination of the '265, '176, and '051 patents, MercExchange is willing to obtain and assert patents where the Office has not been presented with information that raises substantial questions as to whether the patents should have issued. Given this willingness, it is of critical importance that the Office be presented with, and consistently apply, all information regarding the prior art among MercExchange's applications.

D.   Woolston and Phillips' continuing refusal to disclose relevant findings in pending applications necessitates the present request.

1.   The '051 re-examination exemplifies Woolston and Phillips' ongoing failure to disclose relevant findings and demonstrates the need for this request.

Woolston and Phillips' misconduct before the Office is typified by their recent response to the rejection of their claims in the '051 patent re-examination.

a.   Woolston and Phillips argued the '051 claims are patentable based on a feature—"seller-initiated auctions"—that appears nowhere in the '051 claims or specification.

Faced with claims correctly recognized as obvious in the '051 patent's re-examination, Woolston and Phillips attempted to distinguish the prior art by emphasizing a feature found nowhere in any of the '051 claims—"automatic seller-initiated auction instances." None of the '051 claims recite such a limitation. Rather, each require only that an auction be initiated by the auction-hosting entity. Indeed, the '051 specification never describes any entity other than the auction system operator (the "consignment node user") initiating an auction. *See* '051 Patent, 5:65-67 (*"The consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction."*); '051 Patent, 6:6-8 (*"The consignment node user, here a pawnshop, identifies on the Rolex watch records the auction date and the confidential reserve price."*); '051 Patent, 10:45-47 (*"It is understood that the consignment node user may manually invoke the auction process, or may schedule the*

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consignment node to execute the auction process."); '051 RE-EXAM RESPONSE at 18 ("*...the consignment node user [i.e., the entity hosting the auction]...*'") (bracketing original).[5]

          b. Woolston and Phillips handpicked a BPAI decision from one of its applications and argued it was controlling while withholding two other BPAI decisions that refute their arguments that the '051 claims are patentable.

Woolston and Phillips erroneously argued that '051 re-examination is controlled by the only favorable BPAI decision they have received—the <u>non-precedential</u> decision in the '014 application[6]—while remarkably failing to mention two other BPAI decisions that apparently did not serve their interests. Woolston and Phillips' concealment of the BPAI decisions in their '779 and '820 applications is not surprising, as they refute Woolston and Phillips' arguments that the '051 claims are patentable. The '779 decision refutes Woolston and Phillips' argument that the prior art does not teach binding offers to sell and the '820 decision rejects their argument regarding the scope of analogous art:

- *Binding Offers*: "*Nahan represents ... a binding offer to sell. ... since general contract law presumes that offers to sale are binding, it would have been obvious to the artisan to apply the principles taught by Nahan to binding offers to sale.*" '779 BPAI DECISION at 8-9;

- *Binding Offers*: "*the Examiner considered giving rejections ... regarding lack of enablement of the claimed 'binding' feature. However, the Examiner's knowledge of basic contract law and Appellant's single reference to the binding concept in the Specification gave assurance that this feature was known to one of ordinary skill in the art of online commerce. For this reason, ... the feature cannot be patentably distinguishing.*" '779 EXAMINER'S ANSWER AT 5 (1/17/03) (affirmed by BPAI);

- *Analogous Art*: "*... the field of applicant's endeavor, i.e. electronic trading.*" '820 FINAL OFFICE ACTION (affirmed by BPAI).

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[5]   Woolston and Phillips apparently attempt to immunize such arguments by urging that the Office may not consider the requirements of 35 U.S.C. § 112 during reexamination. '051 RE-EXAM RESPONSE at 24.

[6]   MercExchange's argument that the '014 BPAI decision "mandates" a result in the '051 re-examination ignores that it expressly "was <u>not</u> written for publication and is <u>not</u> binding precedent of the Board." '014 BPAI DECISION at 1 (emphasis original). *See also,* 1217 Off. Gaz. 17 (6 November 1998) ("the vast majority of opinions and orders entered by the Board of Patent Appeals and Interferences in both ex parte and interference cases are non-precedential.");

In addition to withholding the material '779 and '820 BPAI decisions, Wooslton and Phillips misrepresented the '014 decision. Contrary to Woolston and Phillips' argument, the '014 BPAI decision *never* found electronic payment references—like the Stein and Lawlor patents cited in the '051 re-examination—are non-analogous art. Rather, when presented with the *Internet Providers* electronic-payment reference in the '014 application, the BPAI never suggested it was non-analogous art. *See* '014 BPAI DECISION at 22-23.

c. Woolston, Phillips, and their expert offered arguments and testimony in an attempt to distinguish the Stein reference that are, at best, grossly misleading.

Woolston, Phillips, and their expert—under penalty of perjury—falsely argued that the accounts described in U.S. Patent No. 5,826,241 (the "Stein patent") were not based on a user's identity or financial instrument when the Stein patent unambiguously describes establishing accounts based on a user's name and credit card (the "pay-in selection"). *Compare* '051 Response at 38-39 *with* Stein, 12:24-38 ("*an Internet user wishes to establish a cardholder account ... the user enters information for the following: the applicant's name, address, phone number ...*"); Stein Fig. 4; *and* Stein, 5:27-30 ("*a cardholder account 100 includes ... a pay-in selection .... The pay-in selection 108 is how the cardholder transfers funds, i.e. makes payment to the payment system. Typically, this may be done by using a conventional authorization to a charge card.*").

Stein Patent, Fig. 4
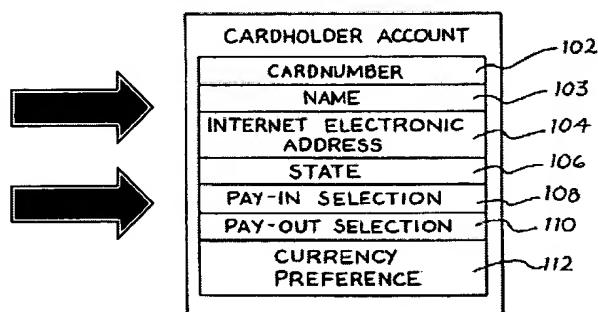
d. Woolston, Phillips, and their expert withheld information contradicting their attempts to distinguish the *Army Knives* article.

Woolston, Phillips, and their expert advanced numerous arguments to try to distinguish SHARP, *From Army Knives to Gold Coins, Collectors Attend 'On-line' Auctions*, MEMPHIS BUSINESS JOURNAL (July 28, 1986) ("*Army Knives*") and other prior art that flatly contradict information known to each of them. The *Army Knives* article describes the prior art Acorn Network (or "ACSN") online auction. The Acorn Network's prior operations were further described in: (1) the sworn testimony of its operators, Messrs. Blankley and Mintz; (2) another article *Coin Trading to Begin on Acorn Network*, COIN WORLD, June 4, 1986; and (3) an Acorn Network registration form—all of which are of record in Woolston and Phillips' related '014 application.[7] Despite being aware of this information through litigation and the '014 application, Woolston, Phillips, and their expert offered arguments and testimony that are refuted by these documents, none of which were brought to the examiner's attention in the '051 re-examination.

DECEPTIVE ARGUMENT SUBMITTED IN THE '051 RE-EXAM	CONTRARY EVIDENCE WITHHELD FROM THE OFFICE
"[*Army Knives*][8] fails to disclose ... (1) Receiving account information from a seller, the received account information identifying the seller and a financial instrument associated with the seller; (2) automatically establishing a seller's account based on the received account information, the seller's account being associated with the seller from whom the account information was received;" *'051 Response at 28*	**Q.** Sir, I'd like to talk now about what information you collected from these people that wanted to register online. **A.** We collected their name – the full name, by the way – date of birth, mother's maiden name, Social Security number, credit card number ..." *Blankley TR at 26:6-13* **Q.** So if, for example, a user provided the system during registration a credit card, would that credit card number also be stored in that user account profile? **A.** Yes, it would, of course. *Mintz TR 37:6-12*
"[*Army Knives*] fails to disclose ... (3) receiving item information from the seller,	**Q.** Mr. Mintz, you testified that when a seller wanted to post an item they would send the description on line

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[7]   *See* Serial No. 09/253,014, Protest Under 37 C.F.R. § 1.291, Exhibit A, Nos. 12-15.

[8]   "*Army Knives* fails to disclose or suggest the same 10 features of claim 51 as both *Save the Earth* and *Computer Museum*, and for essentially the same reasons." '051 Response at 35.

DECEPTIVE ARGUMENT SUBMITTED IN THE '051 RE-EXAM	CONTRARY EVIDENCE WITHHELD FROM THE OFFICE
the received item information comprising a description of an item to be offered for auction by the seller." *'051 Response at 28* "[N]one of the cited references discloses or suggests an auction system wherein item information is received from a computer system independently operated by the seller." *Weaver Decl. ¶ 78, 91*	over the network to the system, right? **A.** Correct. *Mintz TR 121:12-16* **Q.** How would the system operate to accept an item for sale, for example? **A.** The user … would post an item in the form of an item message or a bid board message … contain[ing] the item name, how much they believed it's valued at, what type of item it was …. it was done on line. *Mintz TR 38:6-25*
"[Army Knives] fails to disclose … (4) automatically generating a data record corresponding to the item offered for auction based on the received item information;" *'051 Response at 28*	**Q.** Did the system create a data record on each item that it received and posted? **A.** Yes, it kept records of every item that was posted. …. *Mintz TR 42:18-43:11*
"[Army Knives] fails to disclose … (9) automatically notifying a winning bidder of winning the item at a final bid price;" *'051 Response at 28*	**Q.** … [W]as it your understanding that Jay coded a method in the system that allowed for an electronic message to go out to the winning bidder? **A.** Yes. *Blankley TR 39:4-8*
"[Army Knives] fails to disclose … (10) automatically calculating a fee amount to be charged to the seller based on the final bid price; and (11) automatically debiting the seller's account for the calculated fee amount." *'051 Response at 28-29*	**Q.** And when, based on your understanding, was the seller's account charged for the two percent commission? **A.** … [T]he system was handling it automatically. All the charges, once verified, the system would do it at the end of the day. So you know it was done by the computer at the end of the business day if everything had been verified and … everything was cool, we're ready to go. The system would do that automatically. *Mintz TR 130:19-131:9*
"[N]one of the these references discloses or suggests a computer-based auction system conducting an automated auction method wherein the auction program schedules multiple simultaneous Internet auctions." *Weaver Decl. ¶ 84*	**Q.** So in 1987 the Acorn Network had multiple auctions running at the same time. Is that right? **A.** Yes. *Mintz TR 35:8-11* **Q.** … So there were auctions, ongoing at all times, on the Acorn Network? **A.** Oh, yeah. *Blankley TR 36:17-37:2*
"Based on the time frame in which the article was published, it is likely that the process of charging a commission to a user of the system was a manual process rather than an automated one." *Weaver Decl. ¶ 54*	**Q.** When you charged the credit card, that was a manual process. Isn't that right? **A.** Not – the system would generate the log to do the billing charges itself, and that system was tied into the credit card system so … the on-line system could bill credit cards. There was some manual process in there obviously to verify the information, but the system had the ability to bill customers. *Mintz TR 130:19-131:9*
"[N]one of the systems described in the *Save the Earth, Computer Museum*, or *From Army Knives to Gold Coins* articles … includes a 'tracking code generator module generating	**Q.** And what would the system do with respect to the information it received regarding an item that a user wanted to sell? **A.** … It would be assigned an ID by the system. The

DECEPTIVE ARGUMENT SUBMITTED IN THE '051 RE-EXAM	CONTRARY EVIDENCE WITHHELD FROM THE OFFICE
tracking codes to uniquely identify items for auction,'...." *'051 Response at 51-52* *Weaver Decl. ¶ 95*	system assigned an ID to that item. Q. Was the ID that was assigned to that particular item unique to that particular item? A. Yes. *Mintz TR 39:1-18*
"none of the cited references discloses ... the additional step of 'accepting payment information from an auction participant before accepting bids at the auction process from the auction participant,'...." *'051 Response at 45-46*	Q. What process would a user have to go through in order to register with the on-line Acorn Auction in 1987? A. ... Obviously there was a paper based way and there was an on-line way. Both of those forms required information regarding methods of payment .... *Mintz TR 31:3-13*
"Nor does the *From Army Knives to Gold Coins* article disclose or suggest the implementation of automated seller's accounts in accordance with the claims .... There is no discussion of whatsoever in the article concerning how Messrs. Blankley and Mintz collected the commissions due." *'051 Response at 50* *Weaver Decl. ¶ 76*	Q. And when, based on your understanding, was the seller's account charged for the two percent commission? A. ... [T]he system was handling it automatically. All the charges, once verified, the system would do it at the end of the day. So you know it was done by the computer at the end of the business day if everything had been verified and ... everything was cool, we're ready to go. The system would do that automatically. *Mintz TR 130:19-131:9*

e. **Woolston and Phillips misrepresented the law and the Federal Circuit's *MercExchange v. eBay* opinion in an effort to recast the '051 claims as patentable due to "automatic" features neither claimed nor described in the specification.**

With the '051 claims correctly ruled obvious, Woolston and Phillips misrepresented the only law they cited and misstated the Federal Circuit's *MercExchange v. eBay* opinion in an attempt to effectively rewrite the claims to require completely automated steps. To do so, Woolston and Phillips inexplicably cite *In re Freeman*, 30 F.3d 1459 (Fed. Cir. 1994) to argue that if "claim language has been construed by the Federal Circuit, the ... USPTO is bound to follow and use this same definition...." *See* Response at 23-24. *In re Freeman* never mentions the Office being bound by a Federal Circuit construction. Rather, *In re Freeman* was a simple application of collateral estoppel that bound a *patentee*—not the Office—to a claim construction it had fully litigated and lost. *In re Freeman* cannot be read to bind the Office here because the Office was not a party to the litigation and therefore cannot be estopped from following its

obligation to give the '051 claims their broadest reasonable interpretation in reexamination. *See, e.g., In re Yamamoto,* 740 F.2d 1569 (Fed. Cir. 1984).

Additionally, Woolston's argument that the Federal Circuit opinion held that specific steps, such as establishing a seller's account, must be performed by a purely automated process ignores that the Federal Circuit expressly found that the claimed establishing of a seller's account requires *manual* input of information. Slip Op. at 27. ("'establish[ing] a seller's account'…requires that a seller manually enter relevant information into the system."). Similarly, the argument that the claimed creation of a data record and initiating an auction must be purely automated ignores that the '051 patent clearly explains that both steps require manual intervention.[9]

2. Woolston and Phillips are also seeking claims the Office has told them are invalid in the '151 application.

Woolston's refusal to acknowledge—let alone disclose—the Office's findings regarding the prior art also continues in Application Serial No. 10/2740,151 ("the '151 application"). In the '151 application, filed just last year, Woolston is seeking to claim subject matter that the Office has, on more than one occasion, told him is taught by the prior art. As illustrated in the charts attached as Appendices A and B, the Office has expressly found that every element of claim 1 of the '151 application is taught by both the Lindsey and Nahan patents.

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[9] *See* '051 Col. 5, ll. 65-67 (*"The consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction."*); '051 Col. 10, ll. 43-50 (*"It is understood that the consignment node user may manually invoke the auction process, or may schedule the consignment node to execute the auction process."*); '051 Col. 3, ll. 51- Col. 4, ll. 3 (*"The consignment node operator or purveyor … fills out the display record with information concerning the particular Babe Ruth card. The consignment node verifies that enough information has been filled out in the displayed computer record … and accepts the record."*); Figure 3 (*"Prompt for Information … Receive Information … Create Data Record"*).

III. THE OFFICE'S FINDINGS REGARDING THE PRIOR ART.

Throughout MercExchange's 18 applications, the Office has cited numerous invalidating prior art references and combinations. Given the volume of these findings, an exemplary selection of references and findings is provided below. For the convenience of the Office, an alphabetized index of the Office's findings is provided herewith.

A. U.S. Patent No. 5,285,383 ("Lindsey").

The Lindsey patent, issued February 8, 1994, was applied by the examiner and the BPAI in rejecting all claims of MercExchange's original '820 application throughout its nine-year prosecution. As the '820 examiner noted:

> *Lindsey et al. teach a trading system that creates a computerized market for commodities. In the system of Lindsey, a unique electronic title for an item is created and information on that item is posted on a central computer. Buyer terminals are used to access the information at the central computer and purchase selected items. Lindsey teaches the use of electronic funds transfer in processing purchases. Lindsey further teaches transferring title of the item from the seller to the purchaser, keeping a record of the transaction and that the item can be traded multiple times inside the trading system.*

'820 OFFICE ACTION at 3-4 (9/17/97). *See also* '820 BPAI Op. at 9 ("From the disclosure of Lindsey that the invention is not limited to the trading of commodities, we find that an artisan would have been motivated to trade, i.e., buy and sell, non commodities such as used goods or collectibles."). The Lindsey patent is particularly significant because MercExchange has repeatedly sought—and sometimes obtained—claims that are plainly invalid in view of the Office's findings regarding Lindsey's disclosure.

B. The Office has found Lindsey teaches the limitations of the '051 claims— findings Woolston and Phillips declined to point out in the '051 patent's re-examination.

In its opinion rejecting the claims in Woolston and Phillips' '820 application, the BPAI found that Lindsey disclosed nearly every limitation of the '051 claims. The BPAI also found

Lindsey provides express motivation to combine its teachings with electronic payment systems, such as Stein, which the Office has found discloses those '051 claim limitations arguably not disclosed by Lindsey. However, Woolston and Phillips did not disclose these findings to the examiner in the '051 patent's re-examination.

1. The BPAI found express motivation to combine Lindsey's automated online auction with electronic payment systems, such as the Stein patent applied in the '051 re-examination.

As the BPAI correctly noted in the '820 application, Lindsey provides express motivation to incorporate electronic payment systems and accounts—as described in Stein and claimed in the '051 patent—into its automated online auction:

> *[W]e find that Lindsey discloses (col. 6, lines 65-68) implementing the use of electronic funds transfer, and the use of 'drafts and wire transfers prior to title transfer.' (col 31, lines 39 and 40). From these teachings of Lindsey, we agree ... that "[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made." We find this to be supported by the disclosure in Lindsey that "in the event electronic funds transfer is implemented into the system 8, other files and databases can be added for carrying out such enhanced activity."*

'820 BPAI Op. at 24-25. Consistent with these teachings, the examiner in the '051 patent's reexamination correctly noted: *"all participants in auctions should have accounts established for the obvious reason of either crediting them, in case a participant receives funds, or debiting them if the participant has to make a payment."* '051 Reexam Office Action at 2-3. Thus, it would have been obvious to one skilled in the art to incorporate electronic payment and "other files and databases ... for carrying out such enhanced activity"—such as Stein's electronic payment system—in Lindsey's automated auction because the Lindsey patent provides express motivation to do so.

2. The Office's findings regarding Lindsey's disclosure and regarding the motivation to combine it with electronic payment –neither of which were disclosed in the '051 re-examination – demonstrate the '051 claims are obvious.

In arguing that the '051 claims are patentable in re-examination, Woolston and Phillips cited eleven limitations from claim 51 as exemplary. As illustrated below, the Office's findings regarding Lindsey's disclosure and the motivation to combine it with electronic payment systems like Stein, which were not pointed out to the examiner, demonstrate the obviousness of the '051 claims.

'051 CLAIM 51[10]	LINDSEY / STEIN
(1) receiving account information from a seller comprising identity information and a financial instrument	" ... *We find this to be supported in the disclosure in Lindsey that 'in the event electronic funds transfer is implemented ... other files and databases can be added for carrying out such enhanced activity.'*" '820 BPAI OP. at 24-25. "*In Stein, the seller establishes a cardholder account 100 based upon the seller's identity ... and has a financial account ...*" '051 REEXAM ACTION at 3.
(2) automatically establishing a seller's account	"*In Stein, the seller establishes a cardholder account 100 based upon the seller's identity ... and has a financial account ...*" '051 REEXAM ACTION at 3.
(3) receiving item information from a seller	"*In the system of Lindsey, as a bale of cotton enters a warehouse for sale, information pertaining to the bale ... is scanned and transmitted to the mainframe computer ....*" '820 OFFICE ACTION at 3 (12/29/96).
(4) automatically generating a data record corresponding to the item	Rejected over Lindsey: "*6. ... posting a used or collectable good on a market maker computer by creating a data record for said good having an item identification and offer price.*" '820 BPAI OP. at 2.
(5) automatically mapping the data record for Internet presentation	"*We are not persuaded by appellant's assertion ... that Lindsey does not teach or suggest a plurality of terminals for displaying a record ... Lindsey discloses ... that the mainframe computer 10 is connected through networks 18 to commodity buyer terminals 18. ...*" '820 BPAI OP. at 33-34. "*Concerning the use of the Internet ..., the selection of a particular network architecture is not seen to provide a patentable distinction.*" '820 EXAMINER'S ANSWER at 7.
(6) automatically initiating the auction by presenting the item data over the Internet	"*Lindsey discloses the use of an auction. Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder ....*" '820 BPAI OP. at 30.
(7) receiving bids over the	"*Lindsey discloses allowing blind bidding on cotton for a period of 15*

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[10]   *See* '051 RE-EXAM RESPONSE at 28-29.

'051 Claim 51[10]	Lindsey / Stein
Internet	*minutes.*" '820 BPAI Op. at 30. "*Concerning the use of the Internet ..., the selection of a particular network architecture is not seen to provide a patentable distinction.*" '820 Examiner's Answer at 7.
(8) automatically terminating the auction based on predetermined criteria	"*After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder ....*" '820 BPAI Op. at 30.
(9) automatically notifying winning bidder	"*Upon the sale of the cotton bale, its record is updated ... and a machine readable record of the purchase is transmitted electronically to the buyer (col. 23, lines 36-40).*" '820 Office Action at 4 (12/29/96).
(10) automatically calculating a commission	Rejected over Lindsey: "*12. ... automatically paying a commission to said computerized market ...*" '820 BPAI Op. at 28-29. "*[W]e find that Lindsey discloses (col. 28, lines 52-55) that '[e]very TELCOT transaction generates a commission for PCCA. ...*'" '820 BPAI Op. at 28-29.
(11) automatically debiting a seller's account for the commission	"*[In] Lindsey ... we find that the computerized trading system will inherently deduct the commission from the funds due to the seller.*" '820 BPAI Op. at 29. "*Stein does teach charging a fee to the seller's account based on an amount of the high bid ....*" '051 Reexam Action at 4.

3. Lindsey discloses selling goods in an auction format as well as fixed price sales.

As the BPAI correctly found, Lindsey discloses electronic auctions in addition to fixed price sales. This disclosure teaches a number of fundamental auction functions MercExchange has included in its claims such as: assigning a lot number or item identifier, receiving bids, terminating bidding, awarding an item to the winning bidder, notifying the winning bidder of the auction results, and charging a commission:

- *Auction/bidding:* "*[W]e find that Lindsey discloses the use of an auction. Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes.*" '820 BPAI Op. at 30.

- *Lot number/ID code:* "*With respect to claims 26-28, as mentioned above, Lindsey provides a unique code and prints title data.*" '820 Office Action at 5 (9/17/97).

- *Award to winning bidder:* "*Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder ...*" '820 BPAI Op. at 30.

- *Notification to winning bidder:* "Upon the sale of the cotton bale, its record is updated (col. 22, lines 58-59) and a machine readable record of the purchase is transmitted electronically to the buyer (col. 23, lines 36-40)." '820 OFFICE ACTION at 4 (12/29/96).

4. Lindsey discloses deducting a commission from funds due to a seller.

As the Office correctly found, Lindsey discloses an electronic market or auction system's

collecting a commission for transactions between buyers and sellers. Further, the Office

correctly found that Lindsey inherently discloses that such a commission would be deducted

from funds due to a seller:

- *Commission:* "Lindsey discloses (col. 28, lines 52-55), that '[e]very TELCOT transaction generates a commission for PCCA. On a typical day, TELCOT processed approximately 115,000 on-line transactions." '820 BPAI Op. at 29-30.

- *Deducting a commission from the seller's funds:* "From the disclosure of Lindsey ... we find that the computerized trading system will inherently deduct the commission from the funds due to the seller." '820 BPAI Op. at 30.[11]

5. Lindsey discloses sales with "finality of transaction," electronic transfer of ownership, and speculation through reselling a good.

During prosecution, Woolston and Phillips have sought to distinguish prior art by arguing

certain references were mere "invitations to deal" and did not transfer ownership with finality of

transaction such that users could speculate on an item by re-selling it. Contrary to these

assertions, the Office expressly found Lindsey discloses these features:

- *Ownership transfer:* "Lindsey et al., however, discloses a method for conducting transactions using an electronic title. ... Lindsey also suggests that this commodity can be traded multiple times and its ownership is tracked electronically (col. 23, lines 46-50). With each transfer of ownership, the new owner's offer price has to be maintained and posted for subsequent sale." '820 OFFICE ACTION at 3-4 (12/29/96).

- *Finality of transaction:* "Lindsey was indicated by applicant to have finality of transaction." '820 INTERVIEW SUMMARY (9/10/97).

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[11]   This disclosure is virtually identical to Woolston's purported description of debiting or charging a seller's account in the '051 patent's claims: "The applicant's disclosure explicitly states that the consignment node extracts the service charges from the transaction amount...." '051 RE-EXAM ACTION at 4.

- *Ownership transfer/reselling:* "In the system of Lindsey, a unique electronic title for an item is created and information on that item is posted on a central computer. ... Lindsey further teaches transferring title of the item from the seller to the purchaser, keeping a record of the transaction and that the item can be traded multiple times inside the trading system. Lindsey also teaches printing of title data." '820 OFFICE ACTION at 3-4 (9/17/97).

6. Lindsey discloses sellers providing information describing an item that is posted to a central computer's database.

The Office correctly found that Lindsey discloses sellers posting item information when offering an item for sale that is stored in a central computer's database and that the inclusion of digital images of items with such information would have been obvious to one skilled in the art:

- *Item info./database:* "In the system of Lindsey, as a bale of cotton enters a warehouse for sale, information pertaining to the bale such as warehouse code, quantity, owner and storage date (col. 5, lines 65-68) is scanned and transmitted to the mainframe computer (col. 6, lines 2-13)." '820 OFFICE ACTION at 3 (12/29/96).

- *Digital images:* "With respect to the provision of digital images of the goods for sale, the capture and presentation thereof is well known in the art and would have been obvious to those of ordinary skill in the art for the recognized advantage of allowing the buyer to view the item prior to purchase." '820 OFFICE ACTION at 5 (9/17/97).

7. Lindsey discloses executing transactions over a computer network and, as the Office found, it would have been obvious to do so over the Internet or other networks.

As the Office noted, Lindsey discloses an electronic market where users post items for sale, bid on and buy items, and execute transactions over a computer network. Although the Lindsey patent was filed before the Internet and worldwide web became prevalent commercial mediums, as the Office correctly found, it would have been obvious to one of skilled in the art to implement Lindsey's system over any network, including the Internet and worldwide web:

- *Computer network:* "In addition, we find that Lindsey discloses that the mainframe computer 10 is connected by a network 12 to remotely located gins and warehouses, and ... through the same or other types of networks to commodity buyer terminals." '820 BPAI Op. at 27-28.

- *Internet/broadband network:* "As for claims 19 and 20, the internet and a broadband network are well known." '820 OFFICE ACTION at 6 (12/29/96).

- *Network architecture irrelevant:* "Concerning the use of the Internet or a broadband network, the selection of a particular network architecture is not seen to provide a patentable distinction." '820 EXAMINER'S ANSWER at 7.

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8. Lindsey discloses processing electronic payment in the form of funds transfer by debiting and crediting user accounts.

As the '820 examiner and the BPAI confirmed, Lindsey discloses electronic payment processing to execute transactions. Specifically, Lindsey describes funds transfer by debiting and crediting buyers' and sellers' accounts—a process Woolston has argued render his claims patentable in a number of applications.

- *Funds transfer:* "*Lindsey teaches the use of electronic funds transfer in processing purchases.*" '820 OFFICE ACTION at 3 (9/17/97).

- *Payment processing:* "*[W]e find that Lindsey suggests providing the system with the ability to receive and process payments from buyers of goods.*" '820 BPAI Op. at 35.

- *Debiting/crediting accounts:* "*From these teachings of Lindsey, we agree with the examiner that '[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey ....*" '820 BPAI Op. at 25.

9. Lindsey discloses buyers accessing the system over a computer network to search for, bid on, and purchase goods.

As the Office correctly observed, Lindsey discloses that buyers access the system's central computer from terminals over a computer network to search for, bid on, and purchase goods posted by sellers:

- *Buyer access:* "*Buyer terminals are used to access the information at the central computer and purchase selected items.*" '820 OFFICE ACTION at 3 (9/17/97).

- *Buyer search:* "*In Lindsey, buyers scan the system for lots offered by producers (col. 28, lines 48 and 49) ...*" '820 BPAI Op. at 36.

C.   U.S. Patent No. 5,664,111 (Nahan).

The Nahan patent, filed on February 16, 1994, provides a disclosure strikingly similar to Woolston's. Indeed, the Nahan patent has been applied by the Office to reject approximately 190 claims in Woolston's '653, '779, '057, '021, and '551 applications. The Nahan patent is directed to:

a computerized system incorporating high resolution imaging, printing and database management, in a multimedia environment, for the marketing, selection, purchase, and sale of unique, high monetary value characteristic products, including the processing of all documents to effect and settle the resulting transaction, over a high speed communications network on a dynamic, real time basis.

Nahan Patent at 2:38-45. Although Nahan's preferred embodiment focuses on "high monetary value" artwork, it explicitly discloses that the system may be used with a variety of collectable products: "The system is preferably used for the purchase and sale of art by dealers in the art industry, but is readily adaptable for use with other product categories with similar characteristics such as antiques, jewelry, oriental rugs, numismatics, philately, and others." *Id.* at 2:44-48. Like the Lindsey patent, MercExchange has repeatedly sought claims that are plainly invalid in view of the Office's findings regarding the Nahan patent's disclosure.

1. Nahan discloses conducting sales of items while the item remains in the seller's physical possession and outside the possession or control of the trading system.

Although Woolston's specification is centered upon the auction/trading system having physical and legal possession and control of items offered—*i.e.,* they are consigned to a "consignment node"—he and Phillips have argued that certain claims of the '051 patent are patentable over the prior art based on the item remaining in the seller's possession and outside the control of the auction system. While there is no § 112 support for such claims, Nahan discloses this very feature:

- ***Item remains in seller's possession / outside auction system's control:*** *"The invention ... also enables individual owners to offer their artwork for sale to a wide audience in a forum other than an auction, while allowing them to retain physical possession of such artwork until it is sold."* Nahan at 4:22-26.

2. Nahan discloses a computerized, electronic market.

As the examiners in Woolston's '057 and '779 applications correctly observed, Nahan describes an electronic market in which users may post and search information about collectible items and buy and sell those items over a worldwide computer network:

- *Electronic Market:* "Nahan et al discloses a system and method of electronically executing transactions with a preprogrammed main computer having data and image storage and retrieval equipment." '057 OFFICE ACTION at 3 (3/28/00).

- *Electronic Market:* "[Nahan describes] a system that provides member dealers access to an extensive and diverse collection of artwork . . ., offering member dealers the opportunity to sell their inventory throughout the world. It enables artists to offer their work for sale directly through any member dealer (see col. 2, lines 50-58);" '779 OFFICE ACTION at 5 (6/19/01).

3. Nahan teaches selling goods in an auction format as well as fixed price sales.

As the examiners in Woolston's '653 and '551 applications correctly found, one of

ordinary skill in the art would have been motivated to implement Nahan's transactional system in

an auction-sales format:

- *Auction sales:* "Applicant does not specify what is meant by an auction. The sale of items at auction is an old practice to move items quickly and achieve competitive process, especially for the sale of art or unique items. For example, Sotheby's and Christies are famous auction houses dating back to the 1700's. In the alternate the Examiner takes Official Notice that it is old and well known in the art of sales for dealers to auction items for a quick sale at competitive prices. It would have been obvious to one having ordinary skill in the art at the time the invention was made for the dealers of Nahan et al. to be auctioneers, in order to allow the dealers to quickly sell items at competitive prices." '653 OFFICE ACTION at 4 (12/20/01).

- *Auction sales:* "Therefore, it would have been obvious to one skilled in the art at the time the invention was made to modify the teachings of Nahan to explicitly teach the electronic transactional system comprises an electronic auction system, as taught by Nitta, for the motivation of performing transactions between buyers and sellers." '551 OFFICE ACTION at 11 (2/4/04).

4. Nahan discloses electronic payment processing by transferring funds from user accounts and suggests the use of credit cards and other forms of electronic payment.

As the examiners in the '779, '057, '021, and '551 applications correctly observed,

Nahan describes processing payment information and instructions and clearing electronic

payment for purchases by transferring funds from one participant account to another. For

example, the '021 application examiner explained "Nahan et al provides a well established means of

transferring escrowed purchase funds on a network into an account for the listing dealer in order to provide

an efficient method of payment between a plurality of participants in an auction system," ('021 OFFICE

ACTION at 11 (6/2/00)) and found Nahan taught the following claim limitations:

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- *Transaction processing module:* "... *said transaction processing module receiving payment information from participants of said multiple simultaneous auctions,*" '021 OFFICE ACTION at 10 (6/2/00);

- *Accounting module:* "*an accounting module connected to said transaction processing module, said accounting module maintaining financial accounts for said seller of an item for auction at said simultaneous internet auction apparatus,*" '021 OFFICE ACTION at 10 (6/2/00);

- *Payment instructions:* "*means for receiving payment instructions from said internet participants in said simultaneous internet auctions ... means for processing payment instructions to transfer funds from an internet auction participant's account to another account,*" '021 OFFICE ACTION at 10 (6/2/00);

- *Escrow:* "*means for processing payment instructions to transfer funds from said internet participant's account to an escrow account accessed by said simultaneous internet auction apparatus,*" '021 OFFICE ACTION at 10 (6/2/00);

- *Deducting commission:* "*means for deducting a predetermined amount from said transaction and depositing said deducted predetermined amount to a second account accessed by said simultaneous internet auction apparatus,*" '021 OFFICE ACTION at 10-11 (6/2/00); and

- *Private user accounts:* "*means for maintaining private accounts for a plurality of sellers at said simultaneous internet auction apparatus.*" '021 OFFICE ACTION at 11 (6/2/00).

Consistent with these findings, the Office has further observed:

- *Funds transfer:* "*the system requests that the buying dealer wire transfer funds to pay for the purchased work. At this time, the listing dealer can issue modified wire transfer instructions such as name and address of bank to receive funds (see col. 13, lines 55-66);*" '779 OFFICE ACTION at 6 (6/19/01); '057 OFFICE ACTION at 6 (3/28/00).

- *Escrow/funds transfer:* "*However, Nahan et al discloses ... [t]he escrowed purchase funds are then transferred to the listing dealer's account and notification of the wire transfer is made electronically by way of wire transfer advice to the listing dealer.*" (See col. 14, lines 31-49)." '021 OFFICE ACTION at 11 (6/7/00).

- *Payment information:* "*As per claim 79, Nahan discloses: receiving payment information for at least one participant in the first or second electronic market (col. 13 lines 54-67; col. 14 lines 1-5); processing the received payment information (col. 13 lines 54-67; col. 14 lines 1-5; col. 14 lines 46-49)...*" '057 OFFICE ACTION at 12 (12/12/00).

- *Payment information:* "*Claim 35: Nahan teaches: receiving payment information from at least one participant in the first or second transactional tiers, the received payment information being associated with a transaction at the first or second tier (col. 13 lines 54-67; col. 14 lines 1-5; col. 14 lines 46-49);*" '551 OFFICE ACTION at 8 (2/4/04).

Moreover, as the examiner in Woolston's '779 application further observed, it would have been obvious to one skilled in the art to substitute credit card processing for the electronic funds transfer described in Nahan.

- *Credit cards:* "*Official Notice is taken that the payment information identifies credit card payment information. Although not specifically taught in Nahan et al, determining and designating a*

payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. When processing a transaction via credit card, a central clearinghouse determines the status of an account identified by the particular card holder. Similarly, when processing a transaction via transfer of money, the other bank is called upon for a transfer to the account of the payee. This interbank transfer operation may run through a central clearing house to verify if the account contains sufficient funds to cover the transaction. Thus it would have been obvious to one skilled in the art at the time of the invention to incorporate processing the payment information in the form of a credit card payment in order to provide an efficient means of verifying the payment of the buyer and to enable authorization from a bank or clearing house to transfer funds for payment." '779 OFFICE ACTION at 8-9 (6/19/01).

5. The Nahan system processed payment and completed transactions within the electronic market system.

Woolston has argued that Nahan does not disclose processing payment within the Nahan system, although his specification and claims include no such requirement. While the Nahan patent discusses electronic inter-bank transfers, prior art articles of record in Woolston and Phillips' '014 application disclose that payment was processed and transactions were completed within the patented Nahan system.

- *Payment Processing within the trading system:* "*The buyer will also be able to purchase the work immediately via electronic transfer of funds. Because Honicorp is developing its own on-line service, it will be able to guarantee the confidentiality of the financial transactions.*" WILSON, *Gallery Hopping On-line*, INTERNATIONAL HERALD TRIBUNE (Oct. 29, 1994).

- *Payment Processing within the trading system:* "*Should the customer decide to buy, ArtView completes the sale electronically over an integrated private transaction network.*" KING, *Digitized Art Gallery Paints Retail's Future*, COMPUTERWORLD (Nov. 28, 1994).

6. Nahan describes all the functionality of MercExchange's purported "speculation" feature, including "binding offers," "finality of transaction," electronic ownership transfer, and pricing histories.

During prosecution, Woolston and Phillips have repeatedly attempted to distinguish prior art by arguing certain references were mere "invitations to deal" and did not transfer ownership with finality of transaction such that users could speculate on an item by re-selling it. Contrary to these assertions, the Office has expressly found Nahan discloses all the "speculation" functionality MercExchange claims the prior art is lacking.

a. Nahan discloses ownership and title transfer.

- *Ownership transfer:* "As per claim 79, Nahan discloses ... transferring an ownership interest in an item to the at least one participant (col. 14 lines 31-46)." '057 OFFICE ACTION at 12 (12/12/00).

- *Ownership transfer:* "Claim 33: Nahan teaches facilitating a transaction in the first transactional tier between a consumer participant and a dealer participant, the transaction transferring a legally cognizable interest from the dealer participant to the consumer participant (col. 2 lines 38-45)." '551 OFFICE ACTION at 7 (2/4/04).

- *Ownership transfer:* "Nahan teaches: ... transferring an ownership interest in an item to the at least to the at least one participant (col. 14 lines 31-46)." '551 OFFICE ACTION at 8 (2/4/04).

- *Ownership transfer:* "As to claim 20, Nahan et al discloses ... generating forms and instructions for the complete payment and transfer of title of selected property (see col. 19, lines 61-67)." '779 OFFICE ACTION at 8 (6/19/01).

b. Woolston has not described binding offers to sell sufficiently to distinguish the prior art.

- *Binding offers:* "Further, the Examiner considered giving rejections under 35 USC 112, first Paragraph regarding lack of enablement of the claimed 'binding' feature. However, the Examiner's knowledge of basic contract law and Appellant's single reference to the binding concept in the Specification gave assurance that this feature was known to one of ordinary skill in the art of online commerce. For this reason, Appellant need not provide more detail to enable; likewise, *the feature cannot be patentably distinguishing.*" '779 EXAMINER'S ANSWER AT 5 (1/17/03) (affirmed by BPAI).

c. Nahan discloses binding offers to sell and buy.

- *Binding offers:* "We do not agree with appellant's argument that the system taught by Nahan represents an invitation to deal as opposed to a binding offer to sell. Nahan discloses that if a customer decides to make the purchase, then a series of electronic communications are initiated between the host computer and the buying and listing dealers to effect, and ultimately consummate, the transaction (column 3, line 63 to column 4, line 6)." '779 BPAI DECISION AT 8 (1/28/05).

- *Binding offers:* "Nahan is far more than the browsing environment suggested by Appellant. As noted in Paper No. 20, pages 5-8, Nahan does discloses binding sell/buy offers including prices, acceptance, and providing payment information. The points argued do not show that Nahan's system does not do what Appellant's invention does; they simply show that Nahan details additional features which address unusual occurrences in a system for assured and convenient binding transactions." '779 EXAMINER'S ANSWER.

- *Binding offers:* "Nahan discloses an offer to sell (Column 13, line 30), an acceptance of the offer to sell (column 13, line 38) and consideration (Column 13, lines 45-47), which elements constitute a complete contract for the sale of an item and can be considered equally as binding as that disclosed and claimed by Applicant. Further, Applicant cites several features from Nahan's specification which he implies constitute only an invitation to deal. The Examiner observes that the features cited by Applicant in bolding are inherent to any sales transaction, binding or not; it is impossible to force the sale of an item which is unavailable." '779 OFFICE ACTION at 15 (6/19/01).

d. Nahan discloses executing sales with finality of transaction.

- *Finality of transaction:* "As per claim 75, Nahan discloses facilitating a financial transaction in the first-tier electronic market between a consumer participant and a dealer participant, the transaction having finality of transaction (col. 2 lines 38-45)." '057 OFFICE ACTION at 11 (12/12/00).

- *Executing transactions:* "As to claims 11 and 30, Nahan et al discloses a system and method of electronically executing transactions..." '057 OFFICE ACTION at 3 (3/28/00).

- *Finality of transaction:* "Claim 31: Nahan teaches facilitating a financial transaction in the first transactional tier between a consumer participant and a dealer participant, the transaction having finality of transaction (col. 2 lines 38-45; col. 15 lines 44-49)." '551 OFFICE ACTION at 7 (2/4/04).

e. Nahan discloses tracking an item's pricing history.

- *Pricing history:* "As to claim 74, Nahan et al discloses a History button that displays a price history of the displayed work . . . information about the prices paid for the work and/or other works of the same artist (see col. 13, lines 3-12)." '779 OFFICE ACTION (7/5/00).

f. Nahan discloses modifying a data record after clearing payment.

- *Modifying a data record after payment clears:* "However, Nahan et al discloses ... [t]he escrowed purchase funds are then transferred to the listing dealer's account and notification of the wire transfer is made electronically by way of wire transfer advice to the listing dealer. (See col. 14, lines 31-49)." '021 OFFICE ACTION at 11 (6/7/00).

- *Modifying a data record after payment clears:* "After the system has received notification that the buying dealer has transferred sufficient funds for the purchased work 564, a shipping authorization and corresponding instructions are electronically sent to the listing dealer 566." Nahan at 14:31-34.

- *Modifying a data record after payment clears:* "If ... the buying dealer indicates his acceptance of the work ... [t]he escrowed purchase funds are then transferred to the listing dealer's account 582 and notification of the wire transfer is made electronically by way of a wire transfer advice to the listing dealer 584." Nahan at 14:41-49.

7. Nahan teaches the use of terminal authentication to verify a terminal is an authorized user of the system.

Woolston has argued that Nahan does not disclose the use of terminal authentication, as opposed to a user-specific password, to verify whether access to the system should be granted. However, Nahan describes granting or denying access based on a "Dealer ID" and makes clear that each dealer is associated with only the posting terminal physically located at his or her gallery. Thus, the "Dealer ID" necessarily identifies and authenticates the physical terminal attempting to access the system.

- *Terminal Authentication:* "... *a plurality of intelligent terminals, each intelligent terminal associated with a dealer ...*" Nahan, Claims 33, 34;

- *Terminal Authentication:* "*Instructions to complete the purchase are automatically generated and communicated to the intelligent terminals corresponding to the appropriate listing dealer and the appropriate buying dealer.*" Nahan, Abstract;

- *Terminal Authentication:* "*In a typical art sale situation, a dealer meets a prospective buyer in his gallery. The dealer and the buyer(s) sit around the table 15 of sales suite 10 (see FIG. 2). The sales suite 10 is an intelligent terminal comprising a computer 21, a keyboard 17 and a pointing device (mouse) 19, a work monitor 13 (for text input and review), and a view monitor 11 (for viewing images) mounted in a wall unit and associated with a table 15. The dealer begins, as shown in FIG. 3, by initiating a log-on procedure 14-28 which validates the dealer's ID code and determines his level of authority (to restrict his access to certain system functions, if necessary).*" Nahan, 7:35-45.

8. Nahan describes sellers posting information about collectible items to the system's central database for storage.

As the examiner in Woolston's '779 application noted, Nahan describes sellers posting information about items for sale to the system's central database, including textual descriptions and digital images of the items:

- *Item info. and image/database:* "*As to claims 11 and 30, Nahan et al discloses a system and method of electronically executing transactions with a preprogrammed main computer having data and image storage and retrieval equipment (see abstract, line 1-4);*" '057 OFFICE ACTION at 3 (3/28/00).

- *Item info. and image:* "*a transparency of the artwork is scanned and indexed with information about the artist, the artwork and keywords describing the work (see col. 6, lines 49-51);*" '779 OFFICE ACTION at 5 (6/19/01).

- *Item image/database:* "*Nahan discloses a plurality of electronic images of works of art which are for sale are created by at least one listing dealer and stored on the storage equipment associated with the main computer (see abstract lines 4-7);*" '779 OFFICE ACTION at 5 (6/19/01).

- *Item info./database:* "*Claim 37: Nahan teaches a data repository for storing information about items available for sale (col. 2 line 60-64).*" '551 OFFICE ACTION at 9 (2/4/04).

- *Item info.:* "*However, Nahan et al discloses an art report that comprises a print-out of one or more selected images and any relevant information about the work(s) which is stored on the system. This information includes the artist's name, title of artwork, date, size and medium and may include items such as bid date, common media, selling prices, data about the work itself such as previous selling price(s), etc.., and whether the work has been reserved or sold (see col. 11, lines 60-67).*" '021 OFFICE ACTION at 12 (6/7/00).

9. **Nahan describes a method for searching the market's central database for, and displaying information about, items satisfying criteria input at a buyer's computer terminal.**

As the examiner in Woolston's '021 and '057 applications observed, Nahan describes locating and displaying item information from the market's database that satisfies buyer specified search criteria input at that buyer's terminal:

- *Search criteria:* "[T]he dealer may enter a variety of selection criteria to identify artwork which comports with the client's taste or desire (see col. 7, lines 64-67; and col. 8, lines 1-3);" '057 OFFICE ACTION at 4 (3/28/00).

- *Search criteria:* "Nahan et al however teaches a search criteria is inputted through the intelligent terminals for selecting at least one of the stored electronic images for review (see abstract, lines 14-16)." '021 OFFICE ACTION at 13 (6/7/00).

10. **Nahan describes providing electronic notification to buyers, sellers, and all users of the network that an item has been ordered or purchased.**

As the examiner in Woolston's '779 and '057 applications correctly noted, Nahan describes providing both buyers and sellers notification that an item had been reserved, ordered, accepted, and paid for, as well as notification to all users of the network as to whether an item had been reserved or sold.

- *Notification to buyer/all participants:* " ... an order acceptance notification is electronically conveyed to the buying dealer as well as an inquiry as to any change in the buyer dealer's default shipping instructions ... if the customer decides to make the purchase, notification is instantly sent throughout the global network and that particular work is no long available for sale (see col. 3, lines 57-59)" '779 OFFICE ACTION at 6 (6/19/01).

- *Notification to buyer:* "At the same time, an order acceptance is conveyed to the buying dealer as well as an inquiry as to any change in the buying dealer's default shipping instructions. ..." '057 OFFICE ACTION at 5 (3/28/00).

- *Order confirmation:* "As to claims 11 and 30, Nahan et al discloses ... when a dealer places a buy order on behalf of a client and acknowledges it, the system generates an order confirmation and assigns a transaction number (see col. 13, lines 47-51)." '057 OFFICE ACTION at 3-4 (3/28/00).

- *Notification to seller:* "As to claims 16 and 35, Nahan et al discloses if the listing dealer confirms that the work is still available, an acceptance notification is electronically conveyed to the listing dealer. At the same time, an order acceptance is conveyed to the buying dealer ..." '057 OFFICE ACTION at 5 (3/28/00).

11. Nahan disclosed shipping items sold to buyer-designated locations.

As the examiner in Woolston's '779 and '057 applications observed, Nahan describes storing user's default instructions regarding where to ship purchased items.

- *Shipping to buyer:* "an order acceptance notification is electronically conveyed to the buying dealer as well as an inquiry as to any change in the buyer dealer's default shipping instructions" '779 OFFICE ACTION at 6 (6/19/01).

- *Shipping to buyer:* "At the same time, an order acceptance is conveyed to the buying dealer as well as an inquiry as to any change in the buying dealer's default shipping instructions. ..." '057 OFFICE ACTION at 5 (3/28/00).

12. Nahan describes registering and maintaining account profiles for users of the network.

As the examiner in Woolston's '779 and '057 applications explained, Nahan describes registering accounts for users in which "detailed client information" is stored including a record of items purchased by the client.

- *User account:* "new client information can be entered at virtually any time during use of the system. After the new client option is selected, the user can enter detailed client information any time he/she wishes (see col. 12, lines 6-10)." '779 OFFICE ACTION at 6 (6/19/01).

- *User account:* "As to claims 11 and 30, Nahan et al discloses ... the subsystem is searched to see if the prospective buyer was a previous client. If there was previous activity for the client, the dealer may continue with that client's activity by displaying a prior created portfolio . . . (see col. 7, lines 46-54). If display of an existing client's portfolio is not desired, or if the dealer is working with a new client, the dealer may enter a variety of selection criteria to identify artwork which comports with the client's taste or desire (see col. 7, lines 64-67; and col. 8, lines 1-3); ..." '057 OFFICE ACTION at 3-4 (3/28/00).

13. Like Woolston's disclosure, Nahan describes a "trusted network" of member dealers.

As the examiner in Woolston's '057 application explained, Nahan teaches that members of the network include "trusted" dealers that are approved by the system.

- *Trusted dealer:* "As per claim 64, Nahan discloses the second participant comprises a trusted dealer (Abstract; col. 2 lines 50-59)." '057 OFFICE ACTION at 9 (12/12/00).

D.   Prior art online auctions.

Woolston did not invent the idea of an online collectible auction, yet he persists in claiming subject matter that the Office has repeatedly found is disclosed by the prior art, including:

- SHARP, *From Army Knives to Gold Coins, Collectors Attend 'On-line' Auctions*, MEMPHIS BUSINESS JOURNAL (July 28, 1986) (describing an online collectible auction service similar to Woolston's "trusted" system);

- *Save The Earth Foundation: Internet Online Rock and Roll Art Auction Celebrating Earth Day Is Declared Open To The World For One Month*, BUSINESS WIRE (April 24, 1995) (describing a WWW-based auction of autographed, collectible goods); and

- *Computer Museum Holds An Internet Auction*, OPEN SYSTEMS TODAY (1994) (describing an Internet-based auction of collectible goods).

As detailed below, the Office has expressly found that these articles teach or suggest to those skilled in the art a host of auction elements and concepts that MercExchange continues to claim.

1.   The prior art teaches seller-initiated and seller-scheduled online auctions.

The prior art of record in Woolston and Phillips' '014 application teaches seller initiated and scheduled auctions.

- *Seller initiated/scheduled auctions:* "Bidding on regular items listed on a daily basis can take as long as rules set up by the consigners allow." *Coin Trading to Begin on Acorn Network*, COIN WORLD, June 4, 1986

2.   Online auctions of collectible goods were well known in the art before Woolston's original application.

As the BPAI noted in Woolston's '014 application, Sharp's *Army Knives* article described an online trading system for the auctioning and sales of collectible goods nearly a decade before MercExchange filed its original application. Moreover, the '021 and '779 application examiners found the *Save the Earth* and *Computer Museum* articles disclose similar auctions that were implemented on the Internet and Worldwide Web prior to MercExchange's original application:

- *Online collectible auction:* *"Turning to Sharp, we find that Sharp is directed to an 'on-line' auction that is stored on an IBM Personal computer AT, which has been programmed to carry out the tasks needed to conduct on-line auctions and straight sales. The auctions are for coins and other collectibles. The system is accessible to anyone with a computer terminal and a modem."* '014 BPAI Op. at 17-18.

- *WWW collectible auction:* *"Save the Earth discloses an internet auction ... [and] items for auction are presented via the world wide web"* '021 OFFICE ACTION at 8 (6/7/00).

- *Internet collectible auction:* *"Computer Museum discloses an Internet auction ..."* '779 OFFICE ACTION (7/5/00)

3. The prior art teaches sellers electronically posting their items for auction.

As the BPAI noted in MercExchange's '014 application, Sharp's *Army Knives* article describes sellers posting their items for sale electronically by sending messages describing and offering their items to the online auction system.

- *Item posting:* *"Collectors send messages offering their coins, then ship the coins in advance of the auction date."* '014 BPAI Op. at 17-18.

4. The prior art teaches storing item postings in a database that is accessible and searchable by potential bidders.

As the Office explained in MercExchange's '014 and '021 applications, the prior art teaches storing item postings in a database maintained by the online auction system that buyers may connect to and search to find and bid on items in auctions conducted on the database.

- *Auction database:* *"The database has several different 'auctions' or 'trading floors.'"* '014 BPAI Op. at 17-18.

- *Auction database:* *"However, From Army Knives to Gold Coins discloses a network with a database that has several different auctions or trading floors (see page 2, paragraph 7)."* '021 OFFICE ACTION at 5 (6/7/00).

5. The prior art teaches presenting item information from an auction database to participants over the Internet and Worldwide Web, including identification codes, descriptions, images, and identification of the item's owner.

As the Office explained in MercExchange's '021 application, the prior art teaches presenting item information to auction participants over the Internet and Worldwide Web, including item identifiers, descriptions and images and an indication of who owns the item.

- *WWW:* "Save the Earth discloses ... items for auction are presented via the world wide web (see paragraph 3 and 4) ... items are presented to be viewed on Internet (see paragraph 3);" '021 OFFICE ACTION at 8 (6/7/00).

- *Presenting item info.:* "However, From Army Knives to Gold Coins discloses that Acorn Collector Services network provides its 350 subscribers descriptions of coins and other collectibles (see page 1, paragraph 4);" '021 OFFICE ACTION at 4 (6/7/00).

- *Presenting item ownership:* "Save the Earth discloses ... items for auction are identified as to whom has ownership ..." '021 OFFICE ACTION at 8 (6/7/00).

- *Digital image:* "It would therefore have been obvious to incorporate the teachings of archiving an inventory with a file or color image in the auction of Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins ..." '021 OFFICE ACTION at 14 (6/7/00).

- *Item ID code:* "As to claims 24 and 33, it would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teachings of a tracking code generator, and accessing an auction database and an item sold database in the auction of Save the Earth in view of Computer Museum ..." '021 OFFICE ACTION at 12-13 (6/7/00).

- *Item ID code/info.:* "In the art of purchasing or making a transaction for a desired item, whether on the internet, in a store, or in a catalog, the desired item is identified by a name or code in order to provide the purchaser with information about the particular item and or to insure an accurate purchase of the particular item. It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of providing identification of the item in the auction of Save the Earth because From Army Knives to Gold Coins provides a well-established means of identifying coins and other collectibles in the internet auction." '021 OFFICE ACTION at 4 (6/7/00).

6. The prior art teaches conducting simultaneous, online auctions.

As the Office found in MercExchange's '021 application, the prior art teaches conducting multiple, simultaneous auctions of individual goods.

- *Simultaneous auctions:* "Therefore it would have been obvious to one having ordinary skill in the art to incorporate this already sophisticate[d] programming of Experimental Market Economics and adapt it for use on the Internet with the auction system of Computer Museum for making simultaneous auctions available, to allow the auctions to move more quickly, and to allow participants to continually engage in the auction. This process will prevent participants from having to wait for a particular item of interest nearly as long to be auctioned if more than one took place at a time." '021 OFFICE ACTION at 8-9 (6/7/00).

Indeed, in testimony that is of record in the '014 application, the operators of the system described in the *Army Knives* article explained that they conducted multiple, simultaneous online auctions in the 1980's.

- *Simultaneous auctions:* "Q. So in 1987 the Acorn Network had multiple auctions running at the same time. Is that right? A. Yes." Mintz TR 35:8-11.

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- *Simultaneous auctions:* *"Q. ... So there were auctions, ongoing at all times, on the Acorn Network? A. Oh, yeah."* Blankley TR 36:17-37:2.

7. The prior art teaches receiving bids from participants over the Internet.

As the Office found in MercExchange's '014, '779, and '021 applications, the prior art

teaches receiving bids from auction participants online, including over the Internet.

- *Online bids:* *"In operation, users enter their bids in the form of messages."* '014 BPAI at 17-18.

- *Internet bids:* *"Save the Earth discloses ... participants are able to receive bids on items over the internet (see paragraph 5, lines 1-3)."* '021 OFFICE ACTION at 8 (6/7/00).

- *Internet bids:* *"Save the Earth discloses participants are able to receive bids on items over the Internet (see paragraph 5, line 1-3);"* '779 OFFICE ACTION at 7 (6/19/01).

8. The prior art teaches scheduling online auctions.

As the Office found in MercExchange's '021 application, the prior art teaches scheduling

internet auctions.

- *Auction scheduling:* *"Save the Earth discloses ... scheduling the auction (see paragraph 3; from April 22 through May 21, 1995) ..."* '021 OFFICE ACTION at 8 (6/7/00).

9. The prior art teaches terminating auctions and notifying participants of bids, auction results, and upcoming events.

As the Office found in MercExchange's '021 and '779 applications, the prior art teaches

terminating online auctions and further teaches notifying participants of termination, bid

acceptance, winning bids, and upcoming auctions.

- *Auction termination/notification:* *"It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of termination and notification in the auction of Save the Earth because Computer Museum provides the well-established means of communicating over the internet, i.e. e-mail, in an internet auction."* '021 OFFICE ACTION at 4 (6/7/00).

- *E-mail notification of bid acceptance/termination:* *"Computer Museum discloses ... participants were notified by e-mail as to whether their bids were accepted and further were notified after the auction had been terminated (see paragraphs 9 and 10)."* '779 OFFICE ACTION (7/5/00).

- *E-mail notification of bid acceptance/termination:* *"However, Computer Museum discloses an internet auction, similar to that in Save the Earth, wherein participants were notified by e-mail as to whether their bids were accepted or not and further were notified after the auction had been terminated (see paragraphs 9 and 10)."* '021 OFFICE ACTION at 4 (6/7/00).

- *E-mail notification of upcoming events:* "*Thus, it would have been obvious to one having ordinary skill in the art at the time of the invention to implement electronic mail sent to the registers in Computer Museum to include an E-mail of upcoming auction events in order to keep registrants abreast and updated on events.*" '021 OFFICE ACTION at 15 (6/7/00).

10. **The prior art teaches electronic payment processing in online auction systems and requiring a bidder to submit payment information before accepting bids.**

As the Office found in MercExchange 's '021 application, the prior art suggests

incorporating electronic payment processing—including payment instructions, receiving

payment information before accepting bids, and clearing payment—in an online auction system.

- *Payment:* "*Computer Museum discloses ... the museum arranged for payment and delivery (see paragraph 10).*" '021 OFFICE ACTION at 6 (6/7/00).

- *Payment instructions:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of arranging for payment in the auction of Save the Earth because Computer Museum provides a well-established means of advising participants of the proper method of payment in order to transfer ownership of the particular item that was a successfully high bid.*" '021 OFFICE ACTION at 6 (6/7/00).

- *Payment:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated a method of payment in the auction system of Save the Earth in view of Computer Museum ...*" '021 OFFICE ACTION at 11 (6/7/00).

- *Payment information:* "*Thus it would have been obvious to one skilled in the art at the time of the invention to incorporate the payment information from the auction participant is accepted before bids and the payment method is in the form of a credit card payment in the auction system of Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins in order to provide a secure auction system with a verification process that reserves and verifies the payment of the auction participant's ability to pay for such items for auction and to enable authorization from a bank or clearing house to transfer funds for payment upon a successful bid.*" '021 OFFICE ACTION at 7 (6/7/00).

11. **The prior art teaches the auction system acting as a "trusted network" by taking possession of items and verifying items' authenticity, descriptions, and asking price.**

As the Office found in MercExchange 's '021 and '014 applications, the prior art teaches

an online auction system performing the functions of Woolston's "trusted network," including

taking possession of and inspecting items to verify their authenticity and the accuracy of their

descriptions and their sellers' asking prices.

- *Trusted intermediary/item verification:* *"Blankley has them checked for authenticity and for the accuracy of the asking price. They are then stored in a bank vault and the message is transferred onto the auction portion of the database."* '014 BPAI Op. at 17-18.

- *Trusted intermediary/item verification:* *"However, From Army Knives to Gold Coins discloses the Registered Coin Trading Floor registers the coins by an accepted organization prior to their offering (See page 2, paragraph 11)."* '021 OFFICE ACTION at 5 (6/7/00).

- *Trusted intermediary/item verification:* *"the coins are registered by an accepted organization prior to their offering and they are offered for sale as individual items on the database (see page 2, paragraph 10)."* '021 OFFICE ACTION at 4 (6/7/00).

12. The prior art teaches charging buyers and sellers fees.

As the Office found in MercExchange's '021 application, the prior art teaches charging

fees to buyers and sellers.

- *User fee:* *"A toll-free number connects the user with the database for a one time fee and a monthly charge."* '014 BPAI Op. at 17-18.

IV.   THE OFFICE'S FINDINGS REGARDING THE KNOWLEDGE AND MOTIVATION OF SKILLED ARTISANS.

In addition to the findings regarding the claim features present in the prior art, the Office

has also made a number of findings regarding the knowledge and motivation of those skilled in

the art at the time of the invention. Although many of these findings flatly refute positions

Woolston has taken—and continues to take—regarding the patentability of his claims, Woolston

has not disclosed them to the Office in its applications. Requester respectfully requests that the

Office observe these findings and apply them consistently in MercExchange's applications.

A. The prior art clearly establishes that skilled artisans would have been motivated to incorporate electronic payment processing and accounts in online auctions and electronic markets.

Woolston and Phillips have argued that no motivation existed to combine any "one of

the many proposed electronic fund transfer schemes" that their specification concedes were

"well-known" and "understood" in the art ('051 Patent Col. 8, line 26 – Col. 9, line 1; Col. 22,

lns. 13-17) with prior art auction or trading systems. Their argument overlooks that such

"motivation may be derived from ... the knowledge of one of ordinary skill in the art, or from the nature of the problem to be solved." *SIBIA Neurosciences*, 225 F.3d 1349, 1356 (Fed. Cir. 2000). As demonstrated by the art of record in the '014 application, the knowledge of those skilled in the art and the nature of online transactions provide ample motivation to incorporate electronic payment processing in Internet auctions and markets.

As the examiner in the '051 re-examination correctly observed, because auctions necessarily require some means of transferring funds, their nature dictates that some means of processing payment is necessary.

- *Need for accounts in auctions:* "all participants in auctions should have accounts established for the obvious reason of either crediting them, in case a participant receives funds, or debiting them if the participant has to make a payment." '051 Reexam Office Action at 2-3.

The prior art of record in the '014 application makes clear that skilled artisans were aware of this fundamental requirement of Internet auctions.

- *Need for payment processing in auctions:* "To function effectively, a remote auction system must allow a bidder to commit funds." Rockoff, Design of an Internet-based system for remote Dutch auctions, INTERNET RESEARCH Vol. 5, No. 4 at 15 (1995).

As the examiner in the '051 re-examination correctly observed, because auctions necessarily require some means of transferring funds, their nature dictates that some means of processing payment is necessary.

In addition to being acutely aware of the need for some form of payment processing in online auctions, the prior art in the '014 application also clearly demonstrates that skilled artisans had recognized that traditional, non-electronic payment processing was undesirable and ill-suited to Internet transactions.

- *Need for electronic payment in Internet transactions:* "offer[ing] only product information and customer support" online while processing payment offline is "'a very clunky way of conducting electronic commerce.'" Sandberg, *System Planned for Shopping on the Internet*, THE WALL STREET JOURNAL (September 13, 1994).

- *Need for electronic payment in Internet transactions:* "*[t]raditional cash transactions require special handling and accounting; some percentage is inevitably lost or stolen. Checks must be verified, take time to clear and often bounce. All these costs are ultimately passed along to consumers.*" BANK, *Coming to Cyberworld: Virtual Cash*, BUFFALO NEWS (Mar. 15, 1995).

- *Need for electronic payment in Internet transactions:* "*A user cannot send cash or a check via the Internet and sending a check via physical delivery services is slow. Sending a credit card number over the Internet poses security problems. Moreover, even if it were reasonably safe to send credit card numbers, there are a lot of potential sellers of information products who do not have—and could not qualify for—the required merchant accounts.*" Stein col. 1, lines 54-60.

- *Motivation for electronic payment in online transactions:* "*the Internet is expected to drive down the cost of transactions themselves by automating nearly all of the processing.*" BANK, *Coming to Cyberworld: Virtual Cash*, BUFFALO NEWS (Mar. 15, 1995).

Moreover, the prior art made clear that the need to "drive down the cost of transactions themselves by automating nearly all the processing," *id.*, was particularly important in online auctions and markets, where the system's profitability hinged upon processing a number of commission generating transactions efficiently and inexpensively.

- *Motivation for electronic payment in online transactions:* "'*Buyers and sellers each pay a 2% commission fee to Acorn, compared to 25% routinely charged by dealers. ... 'If we were not doing this (Acorn), we would be dealing in higher margins,' he says. 'It's kind of a McDonald's concept. We sell on small margin but we sell a lot of coins.'*" *Army Knives* at 3.

B. The prior art establishes "the strongest rationale" for automating steps in an online auction or market.

As M.P.E.P. § 2144 explains, "[t]he strongest rationale for combining references is a recognition expressly or impliedly in the prior art ... that some advantage or expected beneficial result would have been produced...." Performing steps automatically was undoubtedly known to increase the efficiency of a process, a benefit the art of record in the '014 application demonstrates was well known in the e-commerce art.

- *Motivation to automate auction steps:* "*the Internet is expected to drive down the cost of transactions themselves by automating nearly all of the processing.*" BANK, *Coming to Cyberworld: Virtual Cash*, BUFFALO NEWS (Mar. 15, 1995).

C. The Office has found that limiting a claim to the sales of used or collectible goods is not a patentable distinction over the prior art.

In MercExchange 's '820 application, the Office found that limiting a claim to the auctioning or sales of collectible or used goods is insufficient to distinguish prior art systems directed to trading of non-collectible goods:

- *Type of good irrelevant:* *"Finally, it is not seen how the mere nature of the goods sufficiently distinguishes the structure of the system or the method performed."* '820 OFFICE ACTION at 4 (5/11/98).

D. The Office has found that it would be obvious to implement an online auction/trading system over any network architecture.

In MercExchange's '820 and '704 applications, found that it would have been obvious to one skilled in the art to implement an online auction / trading system over any of a number of well known network architectures (*e.g.*, internet, WWW, broadband networks).

- *Internet/broadband network:* *"As for claims 19 and 20, the internet and a broadband network are well known."* '820 OFFICE ACTION at 6 (12/29/96).

- *Network type irrelevant:* *"Concerning the use of the Internet or a broadband network, the selection of a particular network architecture is not seen to provide a patentable distinction."* '820 EXAMINER'S ANSWER at 7.

- *Transmission protocols:* *"The use of common, well known transmission protocols to transmit the data would have been obvious to those of ordinary skill in the art for the obvious advantage of using off the shelf hardware and software."* '704 OFFICE ACTION at 7 (10/16/97).

- *JAVA protocols:* *"As for claims 3-5, http and JAVA protocols are well known for presenting information on the world wide web and it would have been obvious to one of ordinary skill in the art at the time of the invention to have utilized these protocols."* '704 OFFICE ACTION at 7 (4/3/97).

- *Modem:* *"The use of a modem for transferring information would have been obvious as modems facilitate instant transfer of information between locations."* '704 OFFICE ACTION at 6 (4/3/97).

E. The Office has found those skilled in the art would have been motivated to incorporate an electronic title transfer system in an online collectible auction/trading system.

In MercExchange's '820, '704, and '564 applications, the Office found that skilled artisans would have been motivated to incorporate electronic title or ownership transfer to facilitate more efficient and convenient transactions and to reduce fraud in online sales.

- *Ownership transfer:* "It would have been obvious to one of ordinary skill in the art at the time of the invention to have incorporated an electronic title transfer method in the system of Lalonde to increase the speed of the transaction process as no title documents have to be physically transferred between the buyers and sellers." '820 OFFICE ACTION at 4 (12/29/96).

- *Ownership transfer:* "It is asserted that Aucnet would have to change the ownership status of a car as it is sold in order to make it unavailable for additional bids." '704 OFFICE ACTION at 6 (4/3/97).

- *Ownership transfer:* "One of ordinary skill in the art of electronic commerce at the time the invention was made would have been motivated to include apparatus, methods, systems and software for the transfer of ownership without transfer of physical possession for the obvious reason that such transfers are common and ordinary and are widely known in worldwide commerce." '564 OFFICE ACTION at 7-8 (11/7/01).

- *Ownership transfer:* "One of ordinary skill in the art of electronic commerce at the time the invention was made would have been motivated to include a transfer processor to modify a data record to include an indication of a transfer of an ownership interest from an originating entity to a purchasing entity for the obvious reason that in a computer system, all actions are carried out by software or hardware processors." '564 OFFICE ACTION at 19 (11/7/01).

- *Ownership transfer:* "Moreover, motivation was provided in the prior Office action, i.e. fraud protection and convenience." '820 OFFICE ACTION at 5 (5/11/98).

- *Ownership transfer:* "However, the examiner provided a motivation for combining the references in the prior office action, i.e. efficiency, that is not found solely in applicant's disclosure." '820 OFFICE ACTION at 4 (5/11/98).

F. The Office has found those skilled in the art would have been motivated to track item pricing history and permit a buyer to repost an item for sale at a new price without taking physical possession.

In Woolston's '704, '779, and '820 applications, the Office found that tracking an item's pricing history was well known and that skilled artisans would have been motivated to permit buyers to repost items for sale at a new price without taking physical possession of the items.

- *Pricing history:* "[A]nalyzing the price of goods over time is well known at least for determining what is considered fair asking or purchase prices." '820 EXAMINER'S ANSWER at 6.

- *Reselling at new price:* "As for claim 7, modifying a data record to reflect a new price, such as if the item were to be specially priced for a sale or if the value of the item goes up, for an item is well known. It would have been obvious to one of ordinary skill in the art to have modified the data record in order to ensure that the accurate price for the item is maintained in the system." '704 OFFICE ACTION at 7 (4/3/97).

- *Reselling without delivery:* "Concerning claim 118, it would have been obvious to one of ordinary skill in the art at the time of the invention to have allowed the buyer to post the item for re-sale or auction without taking delivery of the item for several reasons. First, this would have allowed buyers to speculate, by purchasing an item in the hope for a rapid and profitable resale at a higher new price. Second, if a buyer intended such a re-sale, it would have been counterintuitive to have made him pay for shipping to his residence only to have shipped the item again on re-sale.

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Finally, the third party need not have stood any loss, for warehousing expense could be built into fees. For these reasons, allowing the buyer to re-post for resale or auction without taking delivery of the item would have been obvious." '779 OFFICE ACTION at 10-11 (6/19/01).

G. The Office has found that auctions inherently result in "binding" offers.

In Woolston's '021 application and the reexamination of the '051 patent, the Office found that claiming a "binding" offer in an internet auction does not distinguish prior art auctions, which inherently result in "binding" offers.

- *Binding offers:* "*As to claims 19, All auctions by nature result in a binding offer for the sell and purchase of an item in order to legally sell a sellers item. Auctions will clearly need to provide a binding offer in order to have a mutual promise to perform based on the sellers wishes or simply to agree on a particular buyers offer.*" '021 OFFICE ACTION at 5 (6/7/00); '051 Reexam Action at 8 (same).

H. The Office has found that numerous forms of electronic payment processing were well known and it was obvious to skilled artisans to include any one of these in an online auction/trading system.

Throughout MercExchange's applications and reexamination proceedings, the Office has repeatedly found that electronic payment processing was well known and obvious to implement in an online trading system.

1. Electronic payment processing is well-known and obvious to implement in an online auction/trading system.

- *Payment processing:* "*Payment processing systems, such as for clearing credit card payments are well known.*" '820 OFFICE ACTION at 5 (12/29/96).

- *Payment processing:* "*Electronic payment is well known and is the quickest way to assure payment compliance in an auction.*" '704 OFFICE ACTION at 6 (4/3/97).

2. Selecting from among the many well known forms of electronic payment is a design choice and not a patentable distinction and obvious to implement in an online auction/trading system.

- *Payment account type irrelevant:* "*Processing a payment from various accounts during a transaction is well known in the art in order to complete a transaction and to transfer ownership of an item that was purchased. Selecting the type of account for payment depends solely on the method of payment the seller prefers, therefore, any type of account, i.e. credit card, debit card, check, cash, etc., can be implemented to complete a transaction.*" '021 OFFICE ACTION at 10 (6/7/00).

3. **Processing credit card payment through an external clearinghouse is well known and obvious to implement in an online auction/trading system.**

- *Credit card/clearinghouse:* "However, Official Notice is taken that a payment method can be by a credit card and cleared through a clearing agency is well known within the network transactional art and is generally recognized as routine knowledge among skilled artisans within the computer art. Thus, it would have been obvious to one having ordinary skill in the art at the time the invention was made to use credit card information as payment information in order to provide an adequate and efficient method of payment." '057 OFFICE ACTION at 8 (3/28/00).

- *Credit card/clearinghouse:* "Official Notice is taken that the payment information identifies credit card payment information. Although not specifically taught in Nahan et al, determining and designating a payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. When processing a transaction via credit card, a central clearinghouse determines the status of an account identified by the particular card holder. Similarly, when processing a transaction via transfer of money, the other bank is called upon for a transfer to the account of the payee. This interbank transfer operation may run through a central clearing house to verify if the account contains sufficient funds to cover the transaction. Thus it would have been obvious to one skilled in the art at the time of the invention to incorporate processing the payment information in the form of a credit card payment in order to provide an efficient means of verifying the payment of the buyer and to enable authorization from a bank or clearing house to transfer funds for payment." '779 OFFICE ACTION at 8-9 (6/19/01).

- *Credit card/clearinghouse:* "Nevertheless, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time the invention was made to include payment information comprising credit card payment information and having the auction system process the credit card payment information to authorize payment of a bid received from a potential buyer. One of ordinary skill in the art of electronic commerce at the time the invention was made would have been motivated to include payment information comprising credit card payment information and having the auction system process the credit card payment information to authorize payment of a bid received from a potential buyer for the obvious reason that payment of goods by credit card provides a convenient and very common method of paying for purchases. Payment by credit card (and debit cards) also permits an electronic commerce node to be sure it receives payment for the goods sold." '564 OFFICE ACTION at 23-24 (11/7/01).

4. **Clearing payment by debiting funds from one account and crediting them to another account is well known and obvious to implement in an online auction/trading system.**

- *Crediting/debiting accounts:* "all participants in auctions should have accounts established for the obvious reason of either crediting them, in case a participant receives funds, or debiting them if the participant has to make a payment." '051 REEXAM ACTION at 2-3.

- *Crediting/debiting accounts:* "As to Claim 83, see the discussion of Claim 82 above and it would further have been obvious to have provided authorization to debit an account through the use of an account identifier because this would have uniquely identified the account to be used for payment." '779 OFFICE ACTION (6/19/01).

- *Crediting/debiting accounts:* "Those of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made." '820 EXAMINER'S ANSWER at 22.

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5. **Receiving and verifying payment information from bidders before accepting bids is obvious to implement in an online auction/trading system.**

- *Verifying payment information before bids:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching of accepting payment information from an auction participant before accepting bids at the auction process from the auction participant and that the payment information comprises credit card payment information and further comprising processing the credit card payment information to authorize payment before accepting a bid from the auction participant because it would ensure payment/transfer of funds among participants over Internet and would reduce the risk of non-payment to the sellers, as explicitly disclosed in Stein.*" '051 REEXAM ACTION at 8.

- *Verifying payment information before bids:* "*Nevertheless, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time the invention was made to permit an auction processor to receive payment information from a potential buyer before accepting bids from that buyer. One of ordinary skill in the art of electronic commerce at the time the invention was made would have been motivated to permit an auction processor (hardware or software or both) to receive payment information from a potential buyer before accepting bids from that buyer for the obvious reason that doing so may serve to assure an electronic commerce node that the potential buyer will not walk away with the goods without paying. As mentioned above in relation to a "transfer" processor, the name of the process is as not important as the fact that the action takes place.*" '564 OFFICE ACTION at 22-23 (11/7/01).

- *Verifying payment information before bids:* "*As to claims 18, 21, 52, 53, and 55, Official Notice is taken that the payment information from the auction participant is accepted before bids and the payment method is in the form of a credit card payment method. Although not specifically taught in Save the Earth, determining and designating a payment method in transactions or auctions is generally recognized as routine knowledge among skilled artisans within the transactional art. Accepting the payment information before the bids is used in a transaction environment in order to verify the validity of the payment and to minimize the risk of fraud and unauthorized use.*" '021 OFFICE ACTION at 7 (6/7/00).

I. **The Office has found that providing payment instructions to a winning bidder is inherent in any auction and therefore does not distinguish the prior art.**

In MercExchange's '021 application, the Office found that providing payment instructions to a buyer or winning bidder is inherent to any sales transaction, including online auctions.

- *Payment instructions:* "*As to claim 20, although not specifically taught in Save the Earth, all transactions from the sell, purchase, or auction of an item whether in a store, in a catalog, or on the internet provides the purchaser or bidder with payment instructions in order to successfully handle the transfer of ownership of an item. Internet auctions would clearly need to provide payment instructions to bidders in order to guarantee buyers payment and to complete such binding offer between the seller and the buyer.*" '021 OFFICE ACTION at 6 (6/7/00).

J. The Office has found that "mapping modules" are inherent to any Worldwide Web site.

In MercExchange's '021 application, the Office correctly observed that "mapping modules" are inherent to any Worldwide Web site and therefore the inclusion of a mapping module limitation in a claim does not distinguish the prior art.

- *Mapping module:* "*It is inherent to one having ordinary skill in the art that an WWW site contains a mapping module. A World Wide Web page contains a Uniform Resource Locator (URL) which represents an address for a resource on the Internet. Therefore a URL specifies the protocol to be used in accessing the resource and the URL is mapped into a World Wide Web server to retrieve World Wide Web documents and data.*" '021 OFFICE ACTION at 8 (6/7/00).

K. The Office has found that paying a commission for a transaction is well known in the art and would have been obvious to one of ordinary skill in the art to include in an online auction / trading system.

In MercExchange's '820 and '779 applications, the Office found the use of a commission for selling an item is well known and it would have been obvious to one skilled in the art to charge a commission in an online auction / trading system.

- *Commission:* "*As for claim 12, the use of commission for selling an item is well known.*" '820 OFFICE ACTION at 5 (9/17/97).

- *Commission:* "*It would have been obvious to one of ordinary skill in the art at the time of the invention to have received payment information to enable a transaction fee to be paid to a third party because this would have made the efforts of the third party economically viable.*" '779 OFFICE ACTION at 12 (6/19/01).

- *Commission:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching related to debiting a service charge to the seller's account for providing auction services in the auction of Save the Earth because this is a well-established practice to provide commission/service charges as a percentage of the transaction amount to entities providing services to sellers in helping them selling their products.*" '051 Reexam Action at 12.

- *Debiting Commission from Seller's Account:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated these teachings related to debiting a service charge to the seller's account for providing auction services in the auction of Save the Earth because these are well-established practices observed to implement an auction and to ensure that the entity providing Internet auction services is paid and is paid in time while conducting an online auction.*" '051 Reexam Action at 13.

- *Charging buyers and sellers:* "*It would be obvious that the service provider who facilitates the buyers and sellers to buy and sell goods via Internet would also have to earn money and one of the ways would be to charge the participants, that is both buyers and sellers.*" '051 Reexam Action at 4.

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L. **The Office has found that the use of bar codes to manage inventory is well known and would have been obvious to one skilled in the art to include it in an online auction / trading system.**

In Woolston's '820 application, the Office found the use of bar code printers and scanners to assign identification codes to items is well known and would have been obvious to one skilled in the art to implement in an online auction / trading system.

- *Bar codes:* "As for claim 26 and 27, using a bar code printer to print an identification code is well known." '820 OFFICE ACTION at 5 (12/29/96).

- *Bar codes:* "Further, the use of bar codes is well known and would have been obvious to those of ordinary skill in the art." '820 OFFICE ACTION at 5 (9/17/97).

M. **The Office has found that the fundamental auction operations Woolston persists in claiming are well known and would be obvious to include in any online auction.**

Throughout Woolston's applications and reexamination proceedings, the Office has repeatedly found that the basic details necessary to implement an auction were well known in the art and it would have been obvious to one skilled in the art that an online auction would include such steps as: opening an auction, receiving bids, terminating an auction, and selling the item to the highest bidder.

1. **Opening an auction with a bid, receiving bids, notifying participants that an auction had was closed, and selling to the highest bidder are well known.**

- *Opening bid/award to winning bidder:* "The steps of opening an auction with a bid and receiving response bids and selling to the highest bidder is well known." '820 OFFICE ACTION at 6 (12/29/96).

- *Auction termination/notification to winning bidder:* "Although not specifically taught in Save the Earth, all auctions by nature must end at some point in time to award an item to the highest bidder. Of course the award to the highest bidder would include some form of notification. In live auctions bidding would only occur for a few minutes and would terminate on the discretion of the auctioneer by announcing that an item has been 'sold' followed by an announcement of the winning participant usually by number, i.e., 'sold to number 705 for $1000.' Internet auctions clearly would also need to provide this service in order to have a functioning auction." '021 OFFICE ACTION at 3 (6/7/00); '051 REEXAM ACTION at 5 (same).

2. Using a reserve price in an auction is well known.

- *Reserve price:* "With respect to the use of a reserve in the auction, such reserves are well known." '820 EXAMINER'S ANSWER at 7.

- *Reserve price:* "It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teaching of entering a reserve price in the auction of Save the Earth because Computer Museum discloses storing a reserve price for the items to be auctioned in the on-line system in the auction because it would ensure that the sellers get at least a minimum price before the items are sold." '051 REEXAM ACTION at 7.

- *Reserve price:* "It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching that is, the predetermined event comprises the receipt of a final high bid/a bid that meets a seller-specified reserve price ...." '051 REEXAM ACTION at 11.

3. Confirming and notifying participants as to whether a bid had been accepted or whether an item is still available is well known.

- *Notification of bid acceptance:* "Furthermore, some form of confirmation is needed to indicate to the buyer that his bid was accepted as the final price for the item being auctioned." '704 OFFICE ACTION at 6 (4/3/97).

- *Notification of item availability:* "Additionally, as to claims 27 and 33, although not specifically taught in Save the Earth in view of Computer Museum, a transactional point-of-sale system on a network can be implemented to include a status notification to inform customers and sellers if a desired product is sold out." '021 OFFICE ACTION at 12 (6/7/00).

4. The Office has found that terminating an auction based on the receipt of a high bid that exceeds a predetermined reserve price was well-established in the art and obvious to implement in an online auction.

- *Termination based on predetermined bid amount:* "It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated this teaching that is, the predetermined event comprises the receipt of a final high bid/a bid that meets a seller-specified reserve price in the auction of Save the Earth because Computer Museum provides a well-established teaching of advising participants of the proper method of payment in order to transfer ownership of the particular item that was a successfully high bid and higher than the minimum/reserve price." '051 REEXAM ACTION at 11.

N. The Office has found that sellers posting information about items, including a description, subjective information, and a digital image, was well known and would have been obvious to incorporate in an online auction/trading system.

In Woolston's '820, '704, '021, and '779 applications, the Office found that posting information about an item, including a description, subjective information, and a digital image, was well known and having sellers post such information would have been obvious to one skilled in the art at the time of the invention.

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- *Item description/image:* "It would also have been obvious to use descriptive information as subjective information that is not reflected by the image can be added to the good." '704 OFFICE ACTION at 6 (4/3/97).

- *Item descriptions/image:* "Posting descriptive information for objects along with an image is also well known." '704 OFFICE ACTION at 6 (4/3/97).

- *Digital image:* "Digital image capturing devices, such as a digital camera, as recited in claims 22 and 23 are well known." '820 OFFICE ACTION at 5 (12/29/96).

- *Digital image:* "With respect to the provision of digital images of the goods for sale, the capture and presentation thereof is well known in the art and would have been obvious to those of ordinary skill in the art for the recognized advantage of allowing the buyer to view the item prior to purchase." '820 OFFICE ACTION at 5 (9/17/97).

- *Digital image:* "As for claim 2, having a digital camera attached to a computer for inputting digital images of objects and a modem for transmitting information from a computer is well known." '704 OFFICE ACTION at 6 (4/3/97).

- *Digital image:* "One of ordinary skill in the art would have been motivated to use a digital camera for scanning the image of a good as it can be accomplished at the terminal." '704 OFFICE ACTION at 6 (4/3/97).

- *Item description:* "It would have been obvious to one of ordinary skill in the art at the time of the invention to have had the seller provide information descriptive of the item before presenting the binding offer to potential buyers as disclosed by Lawrence in the method of Ginter et al because this would have allowed potential buyers to have considered the nature of the item before committing to its purchase." '779 OFFICE ACTION at 13 (6/19/01).

O. The Office has found that conducting simultaneous auctions would have been obvious to one skilled in the art.

In the reexamination of Woolston's '051 patent, the Office found that conducting simultaneous auctions would have been obvious to one skilled in the art.

- *Simultaneous Auctions:* "Therefore, it would have been obvious to one having ordinary skill in the art to incorporate this already programmed computer system of Fujisaki and adapt it for use on the Internet with the auction system of Computer Museum for making simultaneous actions available, to allow the auctions to move more quickly, and to allow participants to continually engage in the auction. This process will prevent participants from having to wait for a particular item of interest nearly as long to be auctioned if more than one took place at a time." '051 Reexam Action at 15-16.

P. The Office has found that conducting auctions that are specific to particular sellers, a plurality of unrelated sellers, and a plurality of unrelated items would have been obvious to one skilled in the art.

In the reexamination of Woolston's '051 patent, the Office found that conducting auctions that are specific to particular sellers or a plurality of unrelated sellers or items would have been obvious to one skilled in the art.

- *Auctions specific to unrelated sellers or items:* "*In view of the teachings of From Army Knives to Gold Coins, it would have been obvious to one of an ordinary skill in the art at the time of the applicant's invention to have modified the Internet auction system of claim 36 of Save the Earth in view of Stein in view of Fujisaki in view of Computer Museum and further in view of From Army Knives to Gold Coins to incorporate this limitations of initiating auction instances specific to a particular seller or to a plurality of unrelated items or to a plurality of unrelated sellers, because by doing so it will enable the Internet auction system to have a variety and plurality of items to offer thereby helping to increase both the number of participants and the revenues being accrued by way of charging 2% commission to the participants as suggested in From Army Knives to Gold Coins.*" '051 REEXAM ACTION at 16-17.

Q. The Office has found that Woolston's idea of using an online auction/trading system as a "trusted" intermediary to inspect and register an item offered for sale would have been obvious to one skilled in the art.

In Woolston's '021 and '564 applications, the Office found that establishing a "trusted" intermediary to inspect and register an item and ensure a transaction is executed—the idea at the heart of MercExchange's disclosure—was well known and would have been obvious to one skilled in the art.

- *Registering item with intermediary:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teachings of registering the item for auction prior to offering it through the auction process for upholding a legal obligation to auction the seller's item.*" '021 OFFICE ACTION at 5-6 (6/7/00).

- *Intermediary:* "*Nevertheless, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time the invention was made to include the concept of middlemen in designing a business system. One of ordinary skill in the art of electronic commerce at the time the invention was made would have been motivated to include control by entities other than the entity to which ownership interest was conveyed for the obvious reason that it's good business to provide services to different entities. ...*" '564 OFFICE ACTION at 12-13 (11/7/01).

R. The Office has found that storing item information in a searchable database with unique item identifiers would have been obvious to one skilled in the art.

In Woolston's '021 and '779 applications and the reexamination of the '051 patent, the

Office found that storing item information with unique item identification codes in a searchable

database to enable participants to determine an item's status would have been obvious to one

skilled in the art at the time of the invention.

- *Database:* "*Although not specifically taught in Save the Earth, a database is one that can be dispersed or replicated among different points in a network. Clearly in an auction system, various items and various information about the item for auction on the internet would need to be stored in a database on the network since databases contain aggregations of data records or files that can consist of products, inventories, or profiles.*" '021 OFFICE ACTION at 5 (6/7/00); '051 Reexam Action at 6 (same).

- *Item identifier:* "*It would have been obvious to one of ordinary skill in the art at the time of the invention to have received from the seller an identifier associated with the item before presenting the binding offer to potential buyers as disclosed by Lawrence in the method of Ginter et al because this would have allowed potential buyers to have uniquely identified the item before committing to its purchase.*" '779 OFFICE ACTION at 13 (6/19/01).

- *Item identifier/database:* "*As to claim 24, although not specifically taught in Save the Earth in view of Computer Museum in view of From Army Knives to Gold Coins, when purchasing or making a transaction for a desired item, whether on the internet, in a store, or in a catalog, the desired item is identified by a name or code in order to provide the purchaser with information about the particular item and/or to insure an accurate purchase of the particular item. Such names or codes can be implemented in a database of a computer system.*" '021 OFFICE ACTION at 11 (6/7/00).

- *Database search request:* "*As to claims 34 and 35, although not specifically taught in Save the Earth in view of Computer Museum, all databases are accessed in numerous ways since a database consists of a collection of data. In a network system, databases would be accessed by using some form of a search request to retrieve information in files or data records.*" '021 OFFICE ACTION at 13 (6/7/00).

- *Tracking code for determining item status:* "*It would therefore have been obvious to one having ordinary skill in the art at the time of the invention to have incorporated the teachings of a tracking code generator, and accessing an auction database and an item sold database in the auction of Save the Earth in view of Stein in view of Fujisaki in view of Computer Museum in view of From Army Knives to Gold Coins because Nahan provides an efficient method of communication with a buyer and seller, using database, information and the status of a particular item for auction.*" '051 Reexam Action at 18.

S. The Office has found that generating e-mail to notify users of specific events or messages was routine knowledge among skilled artisans at the time of the invention.

In Woolston's '021 application and the reexamination of the '051 patent, the Office found that generating e-mail to distribute specific messages to network users was routine knowledge among those skilled in the art at the time of the invention.

- *E-mail:* "As to claim 37, Official notice is taken that a means for generating electronic mail to apprise an Internet participant of upcoming auction events. Generating an electronic mail with a specific message is well known in the electronic mail distribution art and is generally recognized as routine knowledge among skilled artisans within the art." '021 OFFICE ACTION at 15 (6/7/00).

- *Notification:* "Of course the award to the highest bidder would include some form of notification. In live auctions bidding would only occur for a few minutes and would terminate on the discretion of the auctioneer by announcing that an item has been 'sold' followed by an announcement of the winning participant usually by number, i.e. 'sold to number 705 for $1000'. Internet auctions clearly would also need to provide this service in order to have a functioning auction." '021 OFFICE ACTION at 3 (6/7/00); '051 Reexam Action at 5 (same).

T. The Office has found that displaying advertisements to generate revenue for an auction or trading system was obvious to skilled artisans at the time of the invention.

In the re-examination of Woolston's '051 patent, the Office found that displaying advertisements on in an online auction would have been obvious to one skilled in the art.

- "In view of Lawlor, it would have been obvious to one having ordinary skill in the art at the time of the applicant's invention to have modified the Internet auction system of the Save the Earth in view of Stein in view of Fujisaki in view of Computer Museum and further in view of From Army Knives to Gold Coins to incorporate this limitation of displaying advertisements that generate revenue for the auction system because by doing so it does not obstruct the ongoing business of conducting auctions but as an advantage helps the system to produce additional revenues by showing third party advertisements to the consumers, as explicitly demonstrated in Lawlor." '051 REEXAM ACTION at 20.

Indeed, *Save the Earth* explains that online auctions were the subject of particular interest and heavy investment in the advertising industry prior to Woolston's first application.

- "The telecommunications, retail, *advertising* and other industries are presently investing heavily in online tests and trial services aimed at tapping into what many believe will be a major marketing and sales channel in the near future...." *Save the Earth* at 1-2.

V. **WOOLSTON'S STRATEGY HAS LED THE BOARD OF PATENT APPEALS TO ADOPT INCONSISTENT—AND AT TIMES ERRONEOUSLY NARROW— DEFINITIONS OF ANALOGOUS ART.**

As a result of MercExchange's numerous applications, the BPAI has adopted inconsistent definitions of analogous art in MercExchange's '014 and '820 applications. Determining whether a reference is analogous art is a two step process: "the reference must either be [1] in the field of applicant's endeavor or, [2] if not, then be reasonably pertinent to the particular problem with which the inventor was concerned." M.P.E.P. § 2141.01(a). Thus, the second category only includes references that, by definition, are not within the first category (*i.e.*, within the applicant's field of endeavor).

Apparently at MercExchange's urging, in the '014 application the BPAI erroneously defined the second category of analogous art as a *subset* of the first category and contradicted the definition it affirmed in the '820 application:

'820 Application	'014 Application
Field of endeavor: "Lindsey is within the field of applicant's endeavor, i.e. electronic trading."	***Field of endeavor:*** " Salmon is … unrelated to … appellant's field of endeavor i.e., computer-implemented auctions…"
Problem: "Lalonde, if not within this field of endeavor, is at least reasonably pertinent thereto as it is directed to communicating information regarding goods for sale."	***Problem:*** "we find that Salmon is non-analogous art, unrelated to … the problem that appellant has solved, i.e., conducting the auction, at least in part, based upon seller input relating to scheduling the auction."

A. **The BPAI's '014 opinion is contrary to the controlling authority.**

The '014 BPAI opinion is facially erroneous. In finding the Salmon reference to be non-analogous art, the BPAI mistakenly defined Woolston's field of endeavor as "computer-implemented auctions" and the problem with which Woolston was concerned as "conducting the auction, at least in part, based upon seller input relating to scheduling the auction." '014 BPAI Op. at 19. Under this formulation, no reference could satisfy the second criteria ("*i.e.*,

conducting *the* auction ... based upon seller input relating to scheduling the auction") without also satisfying the first (*i.e.*, relating to the "computer-implemented auction"). This result is inconsistent with the controlling standard, which expressly defines the second category of analogous art to include only references that do *not* fall within the first.

Indeed, the BPAI's '014 opinion limited the problem faced by the inventor to the sole purported point of novelty of each of the '014 application's claims—permitting the seller to schedule the auction. The Federal Circuit has warned against defining an inventor's problem in terms of his purported solution:

> The district court defined the problem as "designing the stem segment of a knitting needle . . . [to] minimize[ ] needle head breakage and thus maximize[ ] the operating speed of an industrial knitting machine." ... The district court's formulation of the problem confronting the *'053* inventors presumes the solution to the problem - modification of the stem segment. Defining the problem in terms of its solution reveals improper hindsight in the selection of the prior art relevant to obviousness. ***By importing the ultimate solution into the problem facing the inventor, the district court adopted an overly narrow view of the scope of the prior art. It also infected the district court's determinations about the content of the prior art.***

Monarch Knitting Machinery Corp. v. Fukuhara Industrial and Trading Co., 139 F.3d 877, 881 (Fed. Cir. 1996) (emphasis added, bracketing original).

Consulting Woolston's disclosure as *Monarch Knitting* instructs,[12] rather than the BPAI's focus on the claims, reveals the two problems the inventor himself expressly identified:

> [1] The prior art does not provide a means to electronically market used goods or provide an avenue to allow participants to speculate on the price of collectable or used goods in an electronic market place. [2] Moreover, the art does not show a way for small to medium size business to use a low cost posting terminal in conjunction with a market maker computer to collectively create a virtual market

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12   *See Monarch Knitting*, 139 F.3d at 881 ("The *'053* patent, on the other hand, describes the inventor's problem as "providing [knitting needles] with a means which avoids head breakages or lets [breakages] start to an extent worth mentioning only at higher knitting speeds." '053 patent, col. 1, lines 48-51.")

for used and collectible goods. Thus, to address the short comings of the art the present invention has the following objectives ...

'704 App. at 1, lines 18-24. There is no question that the Salmon reference, which the BPAI found was "directed to a system for brokering goods and services ... provid[ing] a computer-implemented system for facilitating any transaction ..." ('014 BPAI Op. at 15), is pertinent to Woolston's stated problem of "provid[ing] a means to electronically market used goods." '704 App. at 1, line 18.

B.   The BPAI's '014 Opinion contradicts the definition of analogous art that it affirmed in Woolston's '820 application.

The unduly narrow definition of analogous art in the '014 application is contrary to the definition of analogous art the BPAI had earlier affirmed in Woolston's '820 application. In an obviousness rejection in the final office action affirmed by the BPAI, the '820 examiner explained that the Lalonde reference was analogous art: "Lalonde, if not within this field of endeavor, is at least reasonably pertinent thereto as *it is directed to communicating information regarding goods for sale*." '820 FINAL OFFICE ACTION.

Similar to the Lalonde reference, in the '014 application the BPAI found the Salmon reference: "is directed to a system for brokering goods and services ... [that] allows sellers to input information into the database ... [and] enabl[es] the buyer to select and review descriptive information in the database." '014 BPAI Op. at 15. Nonetheless, the BPAI found Salmon to be non-analogous in the '014 application because it did not relate to the purported point of novelty of the '014 claims. '014 BPAI Op. at 15. By limiting the scope of analogous art to references addressing a single claim limitation, the '014 BPAI opinion unduly narrowed the scope of the prior art and ignored that the claims expressly recited—and nearly any form of electronic trading necessarily involves— "communicating information regarding goods for sale." In effect, the '014 BPAI opinion held that one skilled in the art seeking to implement a database driven, online

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auction would be unaware of and would not consult known databasing techniques or general auction principles. Such a formulation is contrary to controlling authority and would render the vast majority of Woolston's disclosure "not reasonably pertinent" to the problem it purports to address.

VI. CONCLUSION.

For the reasons stated herein, eBay respectfully petitions that this Request be granted.

Respectfully submitted,

Dated: April 22, 2005

EBAY INC.

By:

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APPENDIX A

APPENDIX A

The Office's findings regarding Lindsey vs. claim 1 of the '151 Application.

'151 Application, Claim 1	The Office's Findings re Lindsey
[A] *1. An Internet-based transactional system*	"Lindsey discloses buying and selling of items on the computer system." '820 BPAI Op. at 11. "In addition, we find that Lindsey discloses that the mainframe computer 10 is connected by a network 12 to remotely located gins and warehouses, and ... through the same or other types of networks to commodity buyer terminals." '820 BPAI Op. at 27-28. "Concerning the use of the Internet or a broadband network, the selection of a particular network architecture is not seen to provide a patentable distinction." '820 EXAMINER'S ANSWER at 7.
[B] *for establishing multiple participant accounts that can be debited or credited corresponding to funds used or generated by participant transactions in the transactional system, the transactional system clearing transactions by connecting a participant to a participant account and transferring funds from an account associated with a participant acting as a buyer in the transactional system to an account associated with a participant acting as a seller in the transactional system,*	"From these teachings of Lindsey, we agree with the examiner that '[t]hose of ordinary skill in the art would have readily appreciated that electronic funds transfer in a trading system requires both the buyers and sellers have accounts and that the buyer's account be debited for the purchase made.' We find this to be supported by the disclosure in Lindsey ...." '820 BPAI Op. at 25.
[C] *wherein the transaction is based at least in part on the seller participant posting a unique item for sale in an ascending bid auction format and*	"In Lindsey, buyers scan the system for lots offered by producers (col. 28, lines 48 and 49) ... " '820 BPAI Op. at 36. "[W]e find that Lindsey discloses the use of an auction. Specifically, Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes." '820 BPAI Op. at 30. "From the disclosure of Lindsey ... we find that an artisan would have been motivated to trade, i.e., buy and sell non commodities, such as used goods or collectibles." '820 BPAI Op. at 9
[D] *the buyer participant authorizing a transfer of funds in response to winning the unique item for sale in the ascending bid auction format,*	"[W]e find that Lindsey suggests providing the system with the ability to receive and process payments from buyers of goods." '820 BPAI Op. at 35.
[E] *the transactional system clearing the transaction by debiting the account associated with the buyer participant and crediting the account for the participant acting as the seller,*	*See element [B] above.*
[F] *the transactional system comprising: (a) a computer system in communication with the Internet and capable of executing a plurality of substantially simultaneous processes;*	*See element [A] above.*
[G] *(b) one or more processes executing on the computer system operable to perform the following: (i) establish multiple participant accounts based on information received from multiple participants, the multiple participant account balances capable of being debited or credited with funds used or generated with participant transactions in the*	*See element [B] above.*

'151 Application, Claim 1	The Office's Findings re. Lindsey
transactional system;	
[H] *(ii) initiate an ascending bid format auction instance based on information received from a seller participant, each auction instance describing an unique item offered for sale in an ascending bid auction format;*	*See element [C] above.*
[I] *(iii) connecting a buyer participant to at least one account maintained by the transactional system and associated with the buyer participant; and (iv) clearing the transaction between the buyer participant with the seller participant by debiting the account associated with the buyer participant and crediting the account for the seller participant,*	*See element [B] above.*
[J] *the transaction between the buyer participant and the seller participant being based at least in part on a result of the buyer participant winning the unique item in the ascending bid format auction instance initiated based on the information received the seller participant.*	"Lindsey discloses allowing blind bidding on cotton for a period of 15 minutes. After the 15 minutes has passed, the computer closes the bidding and awards the cotton to the highest bidder ..." '820 BPAI Op. at 30.

APPENDIX B

APPENDIX B

The Office's findings regarding Nahan vs. claim 1 of the '151 Application.

151 Application, Claim 1	The Office's Findings re. Nahan
[A] *1. An Internet-based transactional system*	"As to claims 11 and 30, Nahan et al discloses a system and method of electronically executing transactions..." '057 OFFICE ACTION at 3 (3/28/00)
[B] *for establishing multiple participant accounts that can be debited or credited corresponding to funds used or generated by participant transactions in the transactional system, the transactional system clearing transactions by connecting a participant to a participant account and transferring funds from an account associated with a participant acting as a buyer in the transactional system to an account associated with a participant acting as a seller in the transactional system,*	"Processing a payment from various accounts during a transaction is well known in the art in order to complete a transaction and to transfer ownership of an item that was purchased. Selecting the type of account for payment depends solely on the method of payment the seller prefers, therefore, any type of account, i.e. credit card, debit card, check, cash, etc., can be implemented to complete a transaction." '021 OFFICE ACTION at 10 (6/7/00). "Save the Earth in view of Computer Museum is vague in disclosing the limitations ... '... maintaining financial accounts for said seller of an item for auction...' .... However, Nahan et al discloses ... the escrowed purchase funds are then transferred to the listing dealer's account ... Nahan et al provides a well established means of transferring escrowed purchase funds on a network into an account for the listing dealer in order to provide an efficient method of payment between a plurality of participants in an auction system." '021 OFFICE ACTION at 10-11 (6/2/00).
[C] *wherein the transaction is based at least in part on the seller participant posting a unique item for sale in an ascending bid auction format and*	"The [Nahan] system provides member dealers access to an extensive and diverse collection of artwork from the inventories of other member dealers around the world ... while, concurrently, offering member dealers the opportunity to sell their inventory throughout the world." '021 OFFICE ACTION at 13 (6/2/00). "Therefore, it would have been obvious to one skilled in the art at the time the invention was made to modify the teachings of Nahan to explicitly teach the electronic transactional system comprises an electronic auction system ...." '551 OFFICE ACTION at 11 (2/4/04).
[D] *the buyer participant authorizing a transfer of funds in response to winning the unique item for sale in the ascending bid auction format,*	"However, Nahan et al discloses if ... the buying dealer indicates his acceptance of the work ... the system issues an artwork acceptance advice to the listing dealer. The escrowed purchase funds are then transferred to the listing dealer's account...." '021 OFFICE ACTION at 11 (6/2/00).
[E] *the transactional system clearing the transaction by debiting the account associated with the buyer participant and crediting the account for the participant acting as the seller,*	*See element [B] above.*
[F] *the transactional system comprising: (a) a computer system in communication with the Internet and capable of executing a plurality of substantially simultaneous processes;*	*See element [A] above.*
[G] *(b) one or more processes executing on the computer system operable to perform the following: (i) establish multiple participant accounts based on*	*See element [B] above.*

'151 Application, Claim 1	The Office's Findings re. Nahan
information received from multiple participants, the multiple participant account balances capable of being debited or credited with funds used or generated with participant transactions in the transactional system;	
[H] (ii) initiate an ascending bid format auction instance based on information received from a seller participant, each auction instance describing an unique item offered for sale in an ascending bid auction format;	"Therefore, it would have been obvious to one skilled in the art at the time the invention was made to modify the teachings of Nahan to explicitly teach the electronic transactional system comprises an electronic auction system, as taught by Nitta, for the motivation of performing transactions between buyers and sellers." '551 OFFICE ACTION at 11 (2/4/04).
[I] (iii) connecting a buyer participant to at least one account maintained by the transactional system and associated with the buyer participant; and (iv) clearing the transaction between the buyer participant with the seller participant by debiting the account associated with the buyer participant and crediting the account for the seller participant,	*See element [B] above.*
[J] the transaction between the buyer participant and the seller participant being based at least in part on a result of the buyer participant winning the unique item in the ascending bid format auction instance initiated based on the information received the seller participant.	"The [Nahan] system provides member dealers access to an extensive and diverse collection of artwork from the inventories of other member dealers around the world ... while, concurrently, offering member dealers the opportunity to sell their inventory throughout the world." '021 OFFICE ACTION at 13 (6/2/00).

APPENDIX C

CONSIGNMENT NODES

BACKGROUND OF THE INVENTION

This application is a continuation in part of U.S. Patent application serial number 08/427,820 filed April 26, 1995, incorporated herein by reference in its entirety. The present invention relates to used and collectible goods offered for sale by an electronic network of consignment stores. More specifically, the present invention may be an electronic "market maker" for collectable and used goods, a means for electronic "presentment" of goods for sale, and an electronic agent to search the network for hard to find goods. In a second embodiment to the present invention, a low cost posting terminal allows the virtual presentment of goods to market and establishes a two tiered market of retail and wholesale sales.

Certain items and used goods have a large following of collectors. These items include baseball cards, dolls, pens, watches, comic books, stamps, coins, and the like. It is well known to establish shops specializing in these items. It is also well-known to establish boards for the sale of used goods. And is known to sell new goods on a special television channel like the Home Shopping Channel.

The prior art does not provide a means to electronically market used goods or provide an avenue to allow participants to speculate on the price of collectable or used goods in an electronic market place. Moreover, the art does not show a way for small to medium size business to use a low cost posting terminal in conjunction with a market maker computer to collectively create a virtual market for used and collectible goods. Thus, to address the short comings of the art the present invention has the following objectives:

SUMMARY OF THE INVENTION

To establish a low cost computer means for a used good and/or consignment stores to establish a "trusted" computerized market for used and collectible goods.

To establish a computer means to administrate and provide inventory tracking to used good and/or consignment stores when the stores make a virtual presentment of a good to a computerized market and the good is sold at the virtual market and/or the good is sold through the store front.

To establish a computer means to double tier a computerized market for goods, where the first tier is a retail price and the second tier is a wholesale or dealer to dealer price and an authorized dealer has pre-approved access to the dealer-to-dealer price and may charge and display the retail price to a local store customer.

To establish a computer means for archiving records of transactions in a computerized market for collectible and used goods and distributing the archive to computer terminals that may then research and analyze valuation and price trends of collectible and used goods in the computerized market.

To establish a computer means for a used good store or consignment store to sell used goods and collectibles electronically and to provide the automatic electronic re-sale of goods purchased.

To establish a market for goods with a dominant electronic "market maker" node to allow collectors to speculate on the collectable goods market.

To provide the excitement of a "live" auction house type atmosphere to remote participants in a electronic auction.

To provide data analysis to the market makers of collectable good or consignment node users on the price, price movements, and quantity of collectable goods in the virtual market.

To provide an electronic agent interface for participants to search a plurality of consignment nodes to search for a used good or collectable item.

To provide a means to track down the owner of a particular used or collectable good.

Further, to provide a trusted network of consignment nodes that act as brokers to provide a means to electronically present a used good or collectable to an electronic market.

The foregoing objects and advantages of the invention are illustrative of those which can be achieved by the present invention and are not intended to be exhaustive or limiting of the possible advantages which can be realized. Thus, these and other objects and advantages of the invention will be apparent from the description herein or can be learned from practicing the invention, both as embodied herein or as modified in view of any variations which may be apparent to those skilled in the art. Accordingly the present invention resided in the novel methods, arrangements, combinations and improvements herein shown and described.

The present invention is a network of consignment nodes and a low cost easy to use posting terminal for the virtual presentment of goods to market. A consignment node is a

computer database of used goods preferably operated by a used good, collectable shop keeper or a bailee. A posting terminal is a low cost easy to use computer and computer peripheral devices used by a small store owner to present goods to a computerized market and track the sales of goods and control the posted inventory. All consignment nodes users or operators, hereinafter users, are "trusted" licensees or franchisers of the software and hardware necessary to create and operate a consignment node. Thus, the network provides a trusted means for consignment node users, e.g. shop keepers, to establish electronic markets for collectable goods, establish electronic auctions, establish a means for searching each others shops to locate hard to find collectibles items, and a means to electronically present goods to a market. The present invention will allow, or license, certain consignments nodes to become a dominant market maker for a particular class of goods, for example, a consignment node franchise may be given the rights to establish the dominant market for collectable antique pens. It is understood, a central market maker computer may be virtually divided into different markets with posting terminals used as the means for the market to obtain virtual title goods. Other consignment nodes, after taking physical possession of a good, may make an electronic presentment of that good to such a dominant consignment node market. Thus, a local collector of antique pens may bring a pen to a convenient consignment node in ~~small town,~~ Smalltown, USA, the consignment network would allow this collector to electronically "present" his pen to the dominant market make node for antique pens in for example, Chicago. Participants, e.g. customers and collectors (hereinafter "participants"), may reach a dominant node's market, or any other consignment nodes electronic store, from his or her home by logging on from a PC located at the participant's home to their locally operated consignment node and reaching the distant consignment node through the network of consignment nodes. Thus, each consignment node user, e.g. shop keeper, has a potential participant, i.e. customer base, of all consignment node participants. In other words, a potentially huge customer base that incurs the minimal cost of a local consignment node connection may reach any other consignment node through the consignment node network. And local collector's may economically participate in the collectable markets by using local access to a convenient consignment node "trusted" bailee, and electronically presenting collectable goods to ~~a dominant~~ an electronic market.

A consignment node in a simple form may have a computer 10, a digital camera 12, a bar code scanner 14, a display 16, a printer 20, a keyboard 18, a database 22 and a network

connection 26 collectively called hereinafter a consignment node. The present invention also has a user interface application program to execute an a user or participant's data terminal 28.

The consignment node may have four modes of operation: a software download mode, an auction mode, a market mode, and an agent mode. The software download mode allows a participant to log into the consignment node and receive a download of a participant interface application program. The auction mode allows a participant, from the participant interface application program, to log into a consignment node to partake in an electronic auction. The market mode allows a participant with the participant interface program to log into a consignment node to browse the consignment node database to search for a used or collectable good. The agent mode allows a participant to log into a consignment node to formulate a search request for a particular used good or collectable. The consignment node may search its own database for the requested good and/or generate agents to search and report back a search request of other consignment nodes.

The present invention may allow a participant to electronically purchase goods from a consignment node and to select whether the good should be shipped to a participant designed location or the participant may take electronic legal ownership of a good and post a new participant defined offer or reserve price. By the interaction of a plurality of participants buying and selling collectibles on a consignment node, posting "buy at" and "sell at" quantities and prices the consignment node may establish a market or become a "market maker" for collectable goods. A participant may also elect to electronically transfer or present a good to a different consignment node or market. This allows a participant to speculate with collectable goods on the consignment node network's different markets and not incur the shipping costs with physically moving the goods, while providing a trusted means to assure potential buyers of the good's bona fide availability and legal title.

The consignment node operator or purveyor, hereinafter referred to as the consignment node user, establishes his consignment node by creating a database of used goods or collectibles, hereinafter the term "goods" shall be used to reflect used goods, new goods and collectibles. The user takes the first good to be put on the database and invokes the consignment node software to create a data record. For example, the user owns a baseball card collector shop and the user wants to post his Babe Ruth collection. The user in this instance invokes the consignment node to "build the database mode" and the invention initializes the digital camera 15. The user then

"photographs" or digitizes the image of the particular Babe Ruth card. The consignment system then displays an empty database record on the display to accept text information concerning the card.

The user fills out the display record with information concerning the particular Babe Ruth card. The consignment node verifies that enough information has been filled out in the displayed computer record, as well known to the electronic database arts, and accepts the record. It should be noted that the consignment node database record has data fields for the consignment node user to add value to his consignment node postings with subjective information such as condition of the card, special features such as autographed by Babe Ruth, and the like. Thus, the consignment node user may build business goodwill into his particular consignment node operation by establishing his own particular subjectivity and quality standards in item postings.

After the data record or the particular Babe Ruth card is accepted by the consignment node the system may print out a bar code label on the printer 20. The user may then put the particular Babe Ruth card into a plastic bag and affix the bar code label to the bag. The bar code labeling system becomes a useful inventory management tool discussed below.

It is understood in this first example that the consignment node user is the legal and equitable owner of the Babe Ruth card and that the user posted a reserve or offer price on the particular card at his posting. In a second illustrative example, a local resident would like to post, for example, his Frank Robinson baseball card. The resident brings his Frank Robinson card to the baseball card store and tells the consignment node user he would like to offer his Frank Robinson card for a consignment sale. Again, the consignment node user invokes the system database posting mode and "photographs" the Frank Robinson card with digital camera 12. As above, the user fills in the system generated display prompt for information concerning the Frank Robinson card. The resident informs the user of the reserve or offer price and signs or agrees to a consignment contract with the consignment node user to accept the consignment terms to pay the consignment node user on the sale of the card, for example 6%, of sales price as a consignment fee. Again, the system may print the appropriate bar code for the Frank Robinson card. The consignment node user then takes possession of the card and may affix the bar code label to an appropriate cardholder. It should be noted by the consignment node user may again "add value" to his consignment node by entering subjective criteria in the database entry for authenticity, condition, special attributes and the like. The participant or local resident may now

electronically present his Frank Robinson card to any consignment node, consignment node auction or consignment node market maker in the consignment node network.

These processes may be repeated again and again to establish a substantial database of goods for sale. It should be noted that the consignment node user may at his discretion take postings from reputable dealers or collectors via a facsimile machine or other forms of electronic or verbal presentment of a good for sale. It is within the sound discretion of an individual consignment node user to establish these practices. It is within the scope of the invention, however, to take electronic postings from other consignment node users or individuals over the network, as discussed below. Each consignment node user may be a franchisee of a central franchiser and the franchiser may police the network to give quality control, detect fraud and revoke the franchises or licenses of poor quality consignment node users. Thus, the consignment node is a "trusted" network for consignment node users providing value to the network by imposing a quality and performance structure on the consignment nodes. The same franchise enforcement scheme is also available to the low cost posting terminal embodiment to the present invention.

The Sale

A buyer, hereinafter participant, may electronically log onto a consignment node via a network connection by use of a PC with participant interface software, through an interactive television application, workstation, internet browser or the like. The network connection drivers for the consignment node are discussed in detail below. The participant may enter the browse node and peruse the consignment node database of goods. It is understood that the participant may receive the image taken with a digital camera 12 of the goods at the participant terminal. The participant, upon finding for example the above-posted Frank Robinson card may decide to purchase the card. The participant may present electronic payment to the consignment node by entering a credit card number and expiration date or other forms of electronic payment. It is understood that a secure and/or encrypted means may be established between a participant's interface application and a consignment node to transfer sensitive or theft prone information. Moreover, a participant may establish an account with his local consignment node to be debited and credited with the funds used and generated with his transactions.

The consignment node may, for example, clear the transaction by charging the participant's charge card account and crediting the consignment node store account by well-

known credit card clearing techniques. After the consignment node has cleared the transaction the system electronically transfers ownership of the Frank Robinson card to the participant. The participant may then be presented with the choice of directing the delivery of the Frank Robinson card to a desired location or may choose to post a new reserve or offer price for the card and

5   direct the card to remain in the possession of the consignment node user. Thus, the consignment node allows a participant to speculate on the price of the Frank Robinson card and establishes an electronic market for the Frank Robinson card. It is understood that the consignment node may have many Frank Robinson cards available, thus by the interaction of collectors electronically buying and selling the collectibles it will establish a market price for a Frank Robinson card or

10 any other good. For each transaction, the consignment node user extracts the small consignment fee, e.g., 6% of the sales price, thus the consignment node user directly benefits from operating a reputable consignment node. If the participant elects to take delivery of the purchased goods then the consignment node may track the delivery and ownership of this good to this particular participant in a data record. This data record may be useful to speed the posting of the good,

15 should the participant later decide to re-post and sell the good, and it also creates a valuable database of records to track the possession and ownership of a collectible. This feature may be useful in the agent mode, e.g., tracking down very hard to find items, discussed more fully below.

The Auction

20   For a rare good, a good in a volatile market, or a good's initial posting the consignment node user or participant may wish to auction the good, with or without reserve, to the highest bidder. In this mode, the good may be posted on the consignment node by the means described above but the data record representing the good is identified as waiting for an auction date and may not be purchased on the electronic market. Alternatively, an item may be in the electronic

25 market of the consignment node with a high reserve price that may be lowered in the auction or liquidation mode. Here the consignment node user or the good's participant owner may enter a protected data field a confidential reserve price for the auction mode. The consignment node user arranges by invoking the appropriate consignment node program a time and date for an electronic auction. The consignment node user or good's participant owner may establish, in a

30 data record that represents the good, a desire for the item to be auctioned. For example, a

pawnshop operator of a consignment node may have several Rolex watches he wishes to auction with reserve this Saturday night at 7:00 p.m. The consignment node user, here a pawnshop, identifies on the Rolex watch records the auction date and the confidential reserve price. The consignment node system may "advertise" auction dates, items and auction terms in the consignment node log on welcome message discussed below. Moreover, a good that is identified as awaiting an auction date may be viewed before auction in the consignment node browse mode by a perspective auction participant.

At the auction date, perspective participants log onto the consignment node auction mode locally or through the consignment node network and await the first good to be auctioned. It is understood that in the best mode of the invention the participant will have a data terminal with a digital to analog converter such as a "sound blaster" and speaker, the digital to analog capability may be used in the auction mode to bring the aural excitement of an auction, e.g., the call of the heckler, the caller and bidders, home to the auction participant. This is discussed in more detail below.

The consignment node takes the first item to be auctioned and posts the image of the good and the good's text record to the participants. The consignment node then posts the opening bid. It is understood that the bid postings may be in a protocol that invokes the generation of an auctioneer's voice at the participant terminals. The participants may then respond with a higher bid. The consignment node mode scans electronically the participants for bids and accepts the highest bid. If bids are tied the consignment node may take the first highest bid by the participants log on order. A particular bidding participant receives a special acknowledgment from the consignment node that her bid was accepted. The consignment node then posts the higher bid to all the electronic auction participants. The consignment node repeats this process until no higher bid is received for a predetermined amount of time and closes the auctioning of that particular good. The consignment node then checks whether the highest bid received is greater than the reserve price, if appropriate. The consignment node may then post sold! and the sell price to all participant terminals and proceed to post the next item for auction. Again a successful purchaser may elect to direct delivery of the good or post the good on the electronic market at a new participant determined offer price.

It is understood that the terms of the auction sale are posted and agreed to by the participants before allowing a participant to bid on goods in compliance with local requirements

and statutes. It is also understood that a participant may make electronic payment for the goods or establish a line of credit or collect on delivery terms within a particular consignment node user's discretion. This may be established by a relationship between a local consignment node user and a local participant at the local consignment user's discretion.

It should be noted that a consignment node user may sell virtual advertising space or a central master node e.g., the franchiser, may coordinate the sale of advertising space on a pool of consignment nodes to reach target market participants. For example, if a participant has purchased or speculated in antique pens, and advertisers of an antique pen specially consignment node wishes to target market individuals on the network who have purchased collectable pens in the past. A central coordinated master node may sell advertising to an advertiser for the log on message or e-mail targeted participants and users. Thus, the network of consignment nodes can establish a market for target marketing or blanketed advertising of goods and services sold locally or on a network level by a central node.

The Agent

The Agent Mode allows a consignment node participant to search a plurality of consignment nodes and purchase records for a used good. A participant may log onto his local consignment node to shop. This participant, for example, may be interested in purchasing a particular used coin for her collection. The participant may invoke a consignment node Agent to search the network of consignment nodes for this coin. The participant fills in the search parameters for this coin, for example, a 1872 U.S. penny from the Denver Mint. The consignment node Agent task handler verifies the Agent form is sufficiently filled out and accepts the task. The Agent checks a list of other consignment nodes network addresses kept by the local consignment node database and generates an Agent communication message to each consignment node on the list and begins to establish communications to the other consignment nodes. An Agent message between consignment nodes begins by coordinating or reconciling the database on each consignment node of the locations and/or address of other consignment nodes. If a consignment node has a different list of consignment nodes in its database it will pass the node update information to the other consignment node. The consignment node originating the Agent task will generate a new Agent task to accommodate the information concerning the new consignment node. Once the consignment node database of consignment nodes is reconciled, the

Agent will search the consignment node database for the goods requested. The Agent will report back whether the search of the local market database was successful and how many good that matches the Agent search request it found. An Agent may also search the consignment node database of past transactions to identify an owner of a particular good. The Agent may then report that John Doe of Main Street, U.S.A. was the last known purchaser of a 1872 U.S. penny from the Denver Mint at this node. It is understood that differing levels of privacy are available to consignment node purchasers, so as only allowing the local consignment node user to view past purchaser information and/or provide the Agent with an option of contacting that consignment user so he may contact the prior purchaser, thus, protecting privacy while allowing bona fide offers to reach the prior purchaser in confidence.

Once some of the Agents start reporting back to the Agent originating consignment node, the originating consignment node may report the results to the consignment node participant of the Agents' results. Such results may give the total number of matching items found thus providing the local participant/collector an indication of the depth of this market. It is understood that a local consignment node user may charge participants for Agent requests.

Computer Implementation

In the preferred embodiment of the present invention a consignment node may use a multitasking operating system such as UNIX, OS/2, NT or VMS. However, a Microsoft DOS or Windows implementation is within the scope of the present invention. The consignment node may be networked via TCP/IP and the internet or a private TCP/IP network or X.25 private or public network or service providers network of ISDN, ATM and the like. It is understood, that a consignment node may support a plurality of protocols simultaneously. Moreover, it is understood that the participant interface application program may execute on a wide variety of platforms such as PC's, MAC's, Power PC's, workstations, cable set-top boxes, video game hardware and the like and are within the scope of the present invention. The posting terminal embodiment is discussed in detail below.

BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 shows the consignment node of the present invention may have a computer 10, a data storage device 22, a tape drive 24, a digital camera 12, a bar code scanner 14, a display 16, a

keyboard 18, a laser printer 20, and a network connection 26. A participant user terminal is shown at 28.

Figure 2 shows a schematic block diagram showing the logic flow of a user log in at a consignment node.

Figure 3 is a schematic diagram showing the logical flow of the consignment node auction process.

Figure 4 is a schematic diagram showing the logical flow of the consignment node market or browse mode.

Figure 5 is a schematic block diagram showing the logical flow for posting a new used good on the consignment node.

Figure 6 is a schematic diagram of a subroutine that may be used to post auction bids.

Figure 7 is a schematic diagram of a subroutine that may be used by the consignment node auction process to receive participant auction bids.

Figure 8 is a schematic diagram showing the logical flow for a subroutine that may be used to transfer ownership of an item.

Figure 9 is a schematic diagram showing the logical flow for a consignment node in-store sale of a good.

Figure 10 is a schematic diagram showing the logical flow of post-processing and analyzing consignment node sales.

Figure 11 is a schematic diagram showing the logical flow of the consignment node Agent handler subroutine.

Figure 12 is a block diagram of the posting terminal to market maker computer connections.

Figure 13 is a diagram showing a user interface on a posting terminal or consignment node.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

It is understood that the get session identification procedure 100 is a routine that monitors the communication ports and virtual communication ports residing on a protocol stack. The consignment node may use, for example, a X.25 interface card, available from Eicon Corporation or Frontier Corporation to execute an X.25 protocol stack in a PC workstation. The

get session identification 100 program may monitor the X.25 protocol for incoming calls. If the program identifies an incoming call it may answer the call by transmitting the appropriate X.25 packet to the network on the appropriate virtual channel. It is understood that other protocols, such as TCP/IP, DECNET, SNA and ATM are within the scope of the present invention and that multiple protocol stacks may simultaneously execute in a consignment node. Therefore, the get session identification program 100 may have multiple instances to connect and monitor the various protocols. After the get session identification 100 has appropriately answered an incoming call to the consignment node, it may invoke the display welcome message and menu routine 102.

It is understood that the get session identification 100 provides sufficient information to the display welcome message and menu 102 to allow the display welcome message and menu 102 to connect to the appropriate session or virtual channel. At this juncture, if the participant is using an approved interface program, the interface program will send a predetermined code to indicate its version and other characteristics of its display driver. If a participant is logging in from a TTY terminal or other terminal the display welcome message and menu 102 may detect this information and send the appropriate TTY welcome message. This procedure may also be used to identify features and languages supported on various internet world wide web browsers.

It is understood that the welcome message is viewed by the consignment node user as virtual advertising space that may be sold by the consignment node user or coordinated with the master control node (discussed in detail below). The participant may respond to the display welcome message and menu 102 program by giving an appropriate log on response 104. The get log on response 104 may verify and grant a level of access privileges to the participant. It is understood that the consignment node user may require the get log in response 104 to retrieve a credit card number, pin number, user ID and the like, to grant access privileges. If a participant is using a TTY terminal those sessions may be shunted to the download interface program (DIP) 106 routine to receive an appropriate interface program from the consignment node. The DIP 106 may present a list of choices as to what version interface program should be downloaded, such as DOS, Windows, UNIX, MAC platforms and what transfer program is desired such as Kermit, Xmodem, FTP and the like. A participant with a participant interface program may also elect to receive a new interface program from the DIP 106. It is understood that an older, no longer

supported interface program participant may be shunted to the DIP 106 to receive a new interface program.

A participant with a supported interface program may select the auction 108, market 110 or agent handler 112 sections of the consignment node. If a participant selects auction 108 the participant may be presented with a menu of auction selections such as auctions in session, future auction times, dates, locations and topics, and auction preview. If a participant selects auctions in session the participants' session is passed to the appropriate auction handler, as discussed below. If a participant selects future auctions the participant will be given a list of future auction times, dates, terms, locations and topics of auctions on this and other consignment nodes. It is understood that these displays represent a virtual advertising opportunity for the consignment node user and the advertising space may be sold by the consignment node user or by the master control node. If the participant selects the auction preview, the auction process 108 passes the participant session to the market session 110 with data that indicates an auction preview desired by the user.

If the participant selects the market 110 choice the participant is given a menu of markets that the participants may browse, discussed further below. If the participant selects the agent handler 112 the participant may be provided with an electronic form to create a search for a good. The participant may then execute this Agent's search request to search the network of consignment nodes databases to look for the desired goods. The Agent is discussed more fully below. The Agent Handler 112 also receives incoming calls from other agents to process the external agents search request on the consignment node. The participant interface and consignment node participant functions are discussed in detail below. It is understood that the agent may also function between virtual markets on a market maker computer and with the transaction archive database discussed below. The discussion now turns to the operation of the consignment node by the user.

Figure 3 shows a logical flow diagram of the steps the consignment node may use to create a database record of a good for sale or for auction.

The consignment node user may invoke the consignment node program to enter the posting 200 mode to create a data record for the good. The posting 200 mode initializes 204 the consignment node to receive information on a new good. The initialization 204 step displays a data record with data fields on the consignment node terminal for the user to fill in information

on the good. The initialization step 204 also initializes the consignment node peripheral devices such as the digital camera 12 and the printer 20. The consignment node user then "photographs" or digitizes the image of the good from one or more perspectives as well known to the digital camera arts. The consignment node receives the digitized image(s) at receive image 206 step. The consignment node program then prompts the consignment node user for information on the good 208. The consignment node receives information 210 that the consignment node user inputs to the data record displayed at step 208. The consignment node program verifies 212 that the necessary information, such as owners name, reserve price, market or auction designation is in the data record. The verify step 212 will reject the record and return the consignment node user data entry mode 210 if the record does not have the minimum information. If the record is verified 212 as complete enough to commit to the consignment node database, a data record is created 214 and linked into the consignment node database. The consignment node program then generates and prints a bar code 216 that indicated the data record. The bar code system is used by the consignment node to maintain an accurate inventory and is a hook for local sales (discussed below). The posting routine may then exit 218 and return from the posting program. By repeating the posting routine of figure 3 the consignment node user may build a database of goods for the consignment node market, auction and/or agent searches.

Figure 4 shows the logical block flow diagram of the processes the consignment node may take to execute an auction. It is understood that the consignment node user may manually invoke the auction process, or may schedule the consignment node to execute the auction process. The auction process begins by initializing 250 the data structures, records, queues and the like to conduct the auction process. The connection between the auction process and auction participants is discussed below. The auction process gets the first item to be auctioned 252 from the database of goods to be auctioned 254. The consignment node then calculates the opening bid 256 by a predetermined formula such as 50% of the reserve or general solicitation of an opening bid is posted to the auction participants 258. The consignment node auction mode then scans the participants for a higher bids 262. If a higher bid is found the new bid is posted 264. It is understood that the steps of checking for bids 260 determines if the bid is higher 262 and posting the new higher bid 264 is repeated until no higher bids are received. After the typical auction closing of going once ... twice ... three times the auction is closed 266. The consignment node auction program then compares the highest bid received with the good's reserve price 268

to determine whether to transact the sale. If the highest bid is greater than the reserve price the consignment node auction process posts sold! for xxx amount to the auction participants and calls the transfer ownership subroutine 270, discussed further below, and transfers the ownership of the good. If the highest bid is less than the reserve price the consignment node auction process announces no sale! 272 to the auction participants. The auction process then proceeds 274 to get the next good to be auctioned 278. The consignment node auction process is then repeated until all the goods to be auctioned have been run through 278. The consignment node auction may then close and terminate the participant sessions 280. It is understood that the transfer ownership 270 sub-routine may require time to clear the transaction and, therefore, may be best implement as a spawned child process to the auction process. This will keep the consignment node auction executing at an exciting and fast pace for the participants. The consignment node auction process itself may execute in several instances to provide simultaneous auctions on a consignment node. Thus a consignment node may conduct several simultaneous auctions on several virtual runways. It is understood that in the auction mode the consignment node and the participant interface software may communicate using a protocol that allows the consignment node auction driver to "point to" locations stored in the participant interface software, to cause the participant interface software to generate the sound of a auctioneers voice on the sound blaster, or equivalent board. Thus, the present invention uses pre-stored sound samples of different auction prices and auctioneer "string" along aural calls inside the participant interface software, and allows the generation of said pre-stored sound bites to be invoked by the consignment node driver through the said special protocol. This method greatly reduces the bandwidth necessary for a consignment node to support the generation of exciting auctioneers calls at a plurality of participant terminals. It is understood that the generation of an audio bit stream from the consignment node to the participant terminals is also with the scope of the present invention.

Figure 5 shows the logical flow for the post bid subroutine 300. The post bid sub-routine may be invoked from several consignment node processes, those specifically described thus far are the post opening bid 258 and posting bid 264 logical processes. The post bid 300 sub-routine is used to communicate between a consignment node and multiple participants. The post bid 300 sub-routine gets participant session identifications 302 from a data record or data structure that contains a list of session identifications of participants who have logged onto the auction

sessions. The next step sends the bid passed to the post bid 300 subroutine to each participant session identified in the data structure 300. Bids are posted to each participant through an appropriate driver 308. The driver may be identified for each particular user session. For example, a PC user logged into the consignment node via an X.25 virtual channel may require a host PAD driver in the consignment node to communicate asynchronously to the PC terminal interface application. A network user may require a TCP/IP driver to connect between the consignment node and the participant networked terminal. After communicating the bid to participants through the appropriate device driver 308, the post bid sub-routine may exit and return 310 to the calling routine.

Figure 6 shows the consignment node subroutine to check participant sessions for bids during the auction mode. Check for bids 350 maybe a subroutine called by the auction program to scan for bids. It is understood that when a participant logs into the consignment node and selects the auction mode, (see figure 2), the participant's session identification is passed to a data structure. The data structure maybe used by the check for bids 350 sub-routine to correctly identify participants at a particular virtual auction. As noted above, the consignment node may support multiple simultaneous auctions, therefore, may require multiple instances of the aforesaid data structure. The check for bids sub-routine 350 opens or connects to the appropriate data structure storing or holding participant session identifications who are participating in the check for bids calling auction program instance at the get session identification step 352. The buffers associated with each session is scanned for an input 354. If a participant has input an "exit" command or symbol 356 the routine removes that participant's session identification from the auction identifying data structure and allows the participant to exit 362 the auction. The participant's session identification may be returned to a data structure that allows the participant to return to the consignment nodes main menu, see figure 2, or terminate the participant session. The subroutine then compares the bids and takes the highest bid 358. If bids are tied for the highest bid the sub-routine may use the first received bid and reject the others 358. The sub-routine then notifies the participant session who had the highest bid 360. It is understood that the take the highest bid step 358 and notify bidder step 360 are aware of the current bid price for a good and will not allow a lower bid to be accepted. It is understood that the participant session buffers are flushed after they are scanned to remove old or latent bids. The check for bids sub-routine then returns to its calling routine.

Figure 7 shows the transfer ownership routine 400 that may be used to transfer the ownership of goods and collectibles in the consignment node. The transfer ownership sub-routine may be called from several consignment node modes and processes to effect the transfer of legal ownership. The first step in the transfer ownership sub-routine 400 may be to verify a participant purchaser information 402. It is understood that the consignment node may use a variety of well known authenticating procedures to verify a participant, such verification techniques include personal identification numbers (PINS), passwords, call back, and a plethora of encryption techniques and personal information identification means to provide a reliable verification technique. It is understood that a consignment node user may have established a credit or deposit account for the participant from past sales or the transfer of funds and the verify step 402 may connect the participant to the account. The clear charge 404 step is used to clear the participant consignment node transaction. It is understood that this may be via an external credit card clearing network, a connection to a credit account, or though one of the many proposed electronic fund transfer schemes such as debit cards, e-money, and clearinghouses. After the transaction clears the charge 404, the consignment node credits the consignment node users commission account 406 to extract the consignment node transaction fee. The consignment node then transfers legal ownership 408 of the good by changing the ownership entry in the data record in the consignment node of the good. The consignment node may then print a record of the transaction 410. It is understood that step 410 may also be used to keep a log on the consignment node storage or tape drive. The consignment node then removes the good from sale or auction status 412. It is understood that the data record representing the good is "locked" during the transfer ownership sub-routine to prevent collisions of actions and transfers of the good. If the participant has elected to ship goods then the consignment node will print a shipping label 404 for the consignment node user to attach to the good for shipment. The transfer ownership routine may then exit 416. If the participant has elected to re-post the good or collectable the participant may specify a new reserve or offer price for the good or collectable. It is understood that the purchasing participant may elect to leave the good or collectable at the consignment node and post a new offer or reserve price and may identify that the good is on the market, e.g. may be bought and sold at any time, or that the good is awaiting an auction date. Moreover, the participant may elect to have the good viewable on the market or "invisible" to the market while awaiting an auction date 422. It is understood that the participant may elect to

leave the good at the purchased consignment node and electronically transfer the offering of a good to another consignment node. It is understood that consignment node users may run a "trusted" network between consignment nodes to provide the trust between merchants, that the goods exists and that the network between the consignment nodes to provide for electronic presentment of a good is a secure network connection. This allows collectable goods to be concentrated for a single electronic auction or virtual collectable market on a market maker consignment node without incurring the costs of shipping the goods to a central location to bring the good to the market maker consignment node. It is understood that the trusted posting of goods on a market maker node is a value added feature a small town consignment node user can provide to his immediate collector community. It is understood that the master central node may also serve as a legal consignment node franchising authority to provide enforcement of integrity, security and quality control for the consignment node network.

Figure 8 shows the consignment node routine that may be used to establish a virtual market. The market 450 may be selected from the consignment node main menu, see figure 2, to allow a participant to browse the consignment node goods database. The market 450 will display to the participant market categories 452, categories may be defined by the consignment node user to reflect the specialization of his consignment node and the specialized markets or miscellaneous markets for his goods. The consignment node then gets the participants response 454 to the market choices. The consignment node may then display market sub-categories 456. Again, the consignment node user may specify market sub-categories to reflect the specialization of the consignment node. The consignment node may then display items 458 and get the participant or market user response 460 to the displayed choices. It is understood that the participant may browse or scroll through the goods on the market 462, 458, 460 until the participant responds with a desire to exit the market 463. If the response is a desire to transfer to the market root directory 464 then the consignment node will return the participant to the market subcategories 456. If the participant responded with a desire to terminate the session 466 the consignment node will exit the market and terminate the participant's session. It is understood that during the browse loop 458, 460, 462 a participant may elect to buy or make an offer on a good and may invoke the transfer ownership routine, see figure 7, to effect the transfer of a good's ownership. It is also understood that a participant may make an offer on a good below the asking (or offered) price. Such a proposed offer may be stored by the consignment node and

used to notify the good owner. The good owner may then accept the counter offer or reject. It is understood that a participant counter-offer may be made subject to an acceptance before date. It is also understood that a participant may establish a "buy at" or "sell at" price/quantity for any good in the market.

Figure 9 shows a logical flow diagram of the process that may be use to transact the transfer of ownership of goods on a consignment node at the store where a consignment node may be located. The consignment node user invokes the store sale sub-routine 500 from a consignment node user terminal, see figure 1. The consignment node user may use the bar code scanner to scan the bar code of the good for sale 502. It is understood that the consignment node user may manually recall or search the consignment node database for the data record of the good or may let the consignment node software use the bar code to automatically retrieve the record 504. The data record is then scanned to retrieve price and sale information on the good 506. It is important to note that a good, while on display at a consignment node user's shop may have transferred ownership and changed price via network participants. The consignment node then displays this information 508 at the consignment node user terminal. The store customer may then elect to purchase the good. The consignment node may process a store customer purchase request by calling the appropriate sub-routine to transfer ownership, see figure 7, of the good.

Figure 10 shows a logical process diagram for the central node to collect and process data concerning transactions on a plurality of consignment nodes and provide value added feed back to consignment node users on market positions and trends. Data processing 550 may be executed on a consignment node or the central node to extract transaction data from a consignment node. It is understood that the tape drive, or storage device may be used to log network transactions on the posting, auctioning, buying and selling of goods and collectibles on a consignment node. This information may be collected by the central node over the consignment node network. The central node may then plot sales, sale date, price over time and the like to create graphs of market performance 554. It is understood that the data correlation and processing steps 554, 556 may be customized to provide a particular consignment node user with useful market information. The central node may also provide hard copies or electronically transfer the information to the consignment node users. It is understood that this may be a value added feature of a service that may be provided by a franchiser. It is understood that the central

node may log into a consignment node, with well known remote processing and data transfer techniques such as the rlogon and FTP UNIX utilities to make changes to the aforesaid virtual advertising space on a consignment node.

Figure 11 shows the agent handler the consignment node may use to establish agent-to-agent and consignment node - to - consignment node connections to process participant agent requests. The agent handler 600 may be entered by a predetermined series of codes and verification procedures to verify a request for an agent connection to the consignment node is from a bona fide agent and a bona fide consignment node. Once this is verified the agent handler may establish a session for the requesting agent 602. The requesting agent may then transfer its agents request to the consignment node 604 and the consignment node may then check its local database 606 to try to match the agents search request. The agent handler may then respond to the agents request 608 and terminate the agent session 610.

A second embodiment to the present invention, shown in figure 12, uses a low cost portable "posting" terminal to allow the virtual presentment of goods to market. The posting terminal has a digital camera, a bar code printer, a bar code scanner, a modem and posting terminal software. The posting terminal works in conjunction with a market maker computer. The market maker computer has a database of goods for sale, a posting/de-posting communication handler, a database to world wide web (www) mapping module, a www server, a transaction process, a posting terminal communication manager, a sold database, a shipping database and an account database and has much of the functionality of the previously described consignment node.

The posting terminal and market maker computer functional block diagram is shown in figure 12. The posting terminal has a camera interface 701, and image processing module 702, a record maker module 708, a storage unit 710, for storing images and records that have not been posted, a post module 712, a select records module 714, a post request module 716, a print bar code module 718, a get mail module 720, a storage unit for holding posted records and return codes 722, a de-post module 724, a get code module 726, and de-post request module 728, a bar code scanner interface 730, another instance of the get mail module 720, a mail sales routine 738, a print shipping label routine 740, a notify store routine 740, and a check sales module 734.

The posting terminal 700 contacts a market maker computer 800 to check sales, to post goods, to de-post goods and to receive mail. The posting terminal 700 is easier to administrate than a

consignment node because it behaves like a retail point-of-sale terminal to manage goods that have been posted and are locally sold. The bar code labeling and scanning routines and methods make it easy for the posting terminal user to maintain an accurate account of what goods have been posted, de-posted, sold and/or shipped. The posting terminal may use an MS-DOS or MS-WINDOWS operating system that is much easier for a small store owner to operate and administer than a complex multi-user system like UNIX or WINDOWS NT.

The posting terminal 700 functionality begins with a user taking a digital picture with the posting terminal digital camera and connecting the digital camera to the camera interface module 701. The user selects an icon on a graphical user interface generated by the posting terminal software to pull the digital pictures from the digital camera. It is understood that other input devices such as scanners and the like may be use in place of the digital camera. The image process module 702 may convert the digital picture to a compressed data format such, as JPEG or MPEG, more suitable for communication of the image across a data link. It is understood that the image may keep it's full resolution for posting. The posting terminal then invokes the record maker routine 704. The record maker routine 704 may display the image or allow the user to select an image from storage unit 710. The record maker may display on a posting terminal display a data entry record with pre-defined text fields, number fields, "buttons," knobs and other graphical user interface objects to allow a user to enter data to complete a posting record.

Figure 13 shows an example of a graphical user interface that may be presented to a posting terminal 700 user. The graphical user interface for the posting terminal 700 may include an image of the item represented by the record 920, a description of the item 922, and 924, the "push button" commands to receive pictures from the digital camera 926, to post a record 928, to clear a local sale 930, to de-post a record 932, to access files of records 934, to view and/or receive and send mail 936, a database category field 940 with a pull down selection bar 942, a database subcategory 944 with a pull down selection bar 946, a code field 948, a posting date field 950, a store identification 951, a market designator field 954, a description field 956, a reserve or wholesale price field 958, and identifier 960, a retail or full price field 962 and identifier 962. The category 940 and sub-category 944 data fields are restricted to selections that can be made by the respective pull down bars 942 and 946. This aids the posting terminal operator in selecting the correct market for the good when creating a record and assures that all records can properly link into a market computer 900 market database. A file may be stored at

posting terminal 700 that corresponds to database structure at the market maker computer 800. Having the database structure in a file at posting terminal 700 may allow the posting terminal to receive updates by remote file transfer techniques, such as the KERMIT, FTP, xmodem and ymodem protocols. It is understood that certain selections from the market category 940 and subcategory fields may be "greyed" or that is blocked from selection by a posting terminal 700 user to enforce a franchise and/or license grant that only allows posting in a certain field. This may allow a franchising scheme that restricts a franchisee to a field of use and/or category of goods. The code field 948 displays the bar code data in text form that the market maker computer 800 sends to the posting terminal 700 when a record is successfully posted. Therefore, the code field 948 can serve as a quick visual confirmation to the posting terminal user that the displayed record has been posted. The market field 952 may also be a restricted selection field accessible by pull down selection bar 954. Fields selectable by the market field 952 may include auction, on-sale, hold and the like to give additional directionality to the record posting. The price 964 and reserve price fields 958 may be used to structure the two-tiered market of dealer-to-dealer and retail markets. The reserve price identifier 960 and reserve price field 958 may be hidden from view to retail participant. A dealer may be provided with special logon identifications and passwords to view the reserve price 958 and reserve price indicator 960. This feature encourages franchisees to use the electronic market for collectable goods dealer participant interface to generate local sales.

The posting terminal 700 user enters descriptions such as the name of the item, the sale price of the item, and a brief description of the item and the like to compose a record. It is understood that a posting terminal user may enter a retail price and a wholesale price. The retail price may then be displayed to participants 900. Other retail participants 902 may receive the wholesale price. It is understood that this two-tiered pricing scheme may be used to network retail store owners to provide additional incentives for the retail participants to use the network to locate goods and generate sales at the retail point of sale. For example, a retailer may charge the retail price for goods to store customers, while obtaining the benefits, e.g. the profit margin of wholesale or discounted pricing for goods. It is understood that the restricted fields are coordinated with the structure of the For-Sale database 814 to guide a posting terminal 700 user in the proper selection of a market category and subcategory of the posting of a good. Categories may include jewelry, rugs and tapestry, tools, quilts, furniture, art deco, books, pens, coins,

stamps and costumes and clothing. Subcategories may include painting and drawings, sculpture, vintage clothing, costumes, shoes, bags, hats, wedding gowns, furs, rug types and the like to structure the database. The user may also select from a list box what category and sub-category from restricted fields in which to post a good. Referring back to Figure 17, the user may store a composed record on the storage device 710. The record maker routine may also contain a command button 706 to immediately post the record 708. It is understood that the user may designate a time at which the posting terminal 700 may automatically contact the market maker computer 800 and post the selected goods. The post request 716 module may allow a user to select records from storage unit 710 or as in the case where the user selected the immediate post command 708, the post module 712 may accept a record as an input. The ability of the posting terminal 700 to store and select records for posting asynchronously from when a record is created allows a user to compose records when the posting terminal is isolated from communication with a market maker computer 800. The post module 712 may invoke the post request module 716 to post the designated records on the market and make a virtual presentment of a good. Rules and procedures may be imposed on the posting terminal 700 user through licensing and franchise agreements. Such rules may include the requirement that all goods posted must be in the physical and legal possession of the posting terminal franchisee or licensee, that legal possession of a good may be obtained by lawful ownership or through a franchise approved bailment or consignment contract. It is understood that these rules and legal frame work may be imposed to allow the posted record to convey a legal title to a good such that the ownership designated in the record grants lawful ownership to the good designated by the record. The post request module 716 may use a communication package and protocols to transfer the records to the market maker computer 800. Communication libraries are packaged and are commercially available from WCSC 2740 S. Dairy Ashfor, Suite 188, Houston TX 77077 and from Marshallsoft Computing, Inc. at P.O. Box 4543, Huntsville, Alabama 35815. The communication protocols such as FTP and KERMIT may be enhanced by using known encryption and authentication techniques to provide an ultra-secure posting interface. The posting record may also include a header that identifies a store identification, user identification, passwords and the like to allow the market maker computer 800 to verify authenticity, approve authorization and track usage of the posting terminal 700 by a particular posting terminal 700 and posting terminal user.

The market maker computer 800 may verify and accept a record and generate and send a unique bar code number for each record. The bar code numbers may contain a code that identifies a posting terminal 700. The posting terminal accepts the bar code and places the code in the appropriate record. The unique code generated for each successfully posted record may serve as confirmation that a good has been successfully posted. The record may then be stored on storage unit ??? as a confirmed posted record. When the posting terminals' post request module 716 is finished, the posting terminal 700 or the market maker computer 800 may invoke a mail update routine 720 to pass mail from the market maker computer 800 to the posting terminal 700. Mail topics may include sales information 734, network news 736, and notification of upcoming events 738. The de-post module 724 may use the bar code scanner 730 to receive a posted collectible's identification code. The de-post module 724 may call the de-post request routine 728 to establish communications between the posting terminal 700 and the market maker computer 800. The de-post request module 728 sends the item or collectible bar code to the post/de-post handler 802. The post/de-post handler 802 may remove the collectible identified by the bar code from the for-sale database 814, if the de-posting terminal identification has legal title to the identified collectible as indicated in a for-sale record, the market maker computer 800 may send a de-post confirm code to the posting terminal 700. The posting terminal 700 may process the confirm signal by indicating that the de-posting procedures was performed. If legal title to the posted collectible good does not belong to the de-posting requesting entity, e.g., the de-posting terminal 700 then indicated by the posting terminal identification, the market maker computer 800 may report the collectible good status, e.g., sold, to the de-post request module 728. This may indicate to the posting terminal user that a bailee relationship now exists between the store and the new legal owner. It is understood that this bailee relationship may be contractually created and enforced through the franchise contract between the posting terminal user and the franchise granting authority. It is also understood that the bailee agreement may be for a predetermined time and/or require the posting terminal user to hold a good for a predetermined time and/or ship the good to a long term storage facility to ease the bailee burden of posting terminal users where a participant elects to hold legal ownership but keep the good available in the electronic market place for the long term. It is understood that a bond and/or insurance requirements may be required for the posting terminal user and/or the long term storage facility to provide assurance to a long term collectible investor that the risk of loss of the

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collectable good asset is maintained or at least hedged against loss. It is understood that a good may have sold and the new owner has elected to re-sell the good at a higher price. In this instance, the de-posting terminal will be advised that the good has been sold and advised of the new sales price. The posting terminal may then transact the local sale at the new price. After the de-post request module 728 is finished it may invoke or the market maker computer 800 may invoke the get mail routine 720 to send mail between the market maker computer 800 and the posting terminal 700. It is understood that through the procedures of generating a unique code for each posted good, checking a unique code that identifies each posting terminal 700 against the legal owner entry in a posted good on the market maker computer 800 the database of for-sale goods 814 will be extremely reliable and accurate and assure that a locally sold goods that have already been sold on the market maker computer 800 will not be inadvertently sold twice. The procedures, when used in conjunction with the rules and procedures imposed on the posting terminal user through a franchising or licensing legal framework assure that (1) when a record of a good is found on the market maker computer 800 by a participant 900 or another retailer 902, it is in fact for-sale and is in the physical and legal possession of a "trusted" franchise and (2) that when a bona fide purchase price is tendered by a participant 900 or another retailer 902 the legal title to a good as represented by the record will transfer to the buyer with an immediate or nearly immediate finality to the transaction. This framework of trusted franchisee, high confidence and accurate market database, and the legal finality of transaction, where the legal transaction/"cash" clearing function is performed by the market maker computer, e.g., the participant credit card number or other payment means is only revealed and brokered by the market maker computer 800, is a massive step toward building confidence and trust between a small collectable merchant and participant with electronic transactions. These procedures may be used to give assurances and create trust to participants, who for example would like to buy and art deco collectable from a collectable shop in Russia but is very reluctant to send credit card information to an unknown Russian collectable shop for the obvious concerns of credit card fraud and/or fraud in the bona fides of the collectable good itself. Here, however, the franchising authority polices the franchisees to revoke the franchise if a fraud and/or misrepresentations of the bona fides of a collectable good is taking place by the posting terminal user and the assurance that credit card numbers are only revealed to the market maker computer 800 and not accessible to the, in this example, the Russian collectable store. This allows the Russian collectible store to receive the

business good will of the electronic collectible market place of the present invention to establish immediate trust with prospective electronic customers.

The market maker computer 800 may have mail module 801, a provide-post handler module 802, a security module 804, database server 806, a database to www map module 808, a www page server 810, a transaction processor 812, a for-sale database 814, a sold database 816, a shipped database 820, and an account database 824. A www to database mapping 808 module is commercially available from Expenelligence, Inc., Santa Barbara, California at (805) 963-xxxx. Such a mapping module may map a ODBC database such as Microsoft Access to a www page. The market maker computer 800 may serve four primary functions. The first function is the call handler for processing calls from a posting terminals 700. The second function is a database to www mapping function to present participants 900 and other retailers 902 with a means to access the market database. The third function is to provide a means to process transactions from participants by clearing a transaction and transferring legal title to a good. The fourth function is to provide a means for managing the notification of the sale of a good to posting terminals 700.

The market maker computer 800 may use an accounts 824 database to track payments due to posting terminal 700 users. The clear accounts 825 module may print checks due to posting terminal 700 users. It is understood that electronic funds transfer techniques may be used for clearing account balances 825 for posting terminal users. A modem bank 803 may be used to receive posting calls from posting terminals. It is understood that the modem bank may be replaced by a network connection to the internet. At this juncture it is believed that an off-line, that is a modem bank, connection offers the best security for the posting of goods. However, it is understood that a network connection, e.g. through the internet, is within the scope of the present invention.

A security module 804 may be used to provide identification and password security. It is understood that other security and authentication techniques may be used at security module 804. It is understood that database server 806 may be an ODBC server available from many commercial database providers. Much of the market maker computers 800 functionality is disclosed above in the consignment node functionality. The databases may be structured to indicate of for-sale 814 database and sold database 816, and auction database 817 and a shipped database 820. It is understood that records may move between the databases by book entry.

transaction. The transaction processor 812 may use RSA certificates and/or other well-known techniques to process secured transactions between the market maker computer 800 and participants 700 and 90 . It is understood that the transaction processor 812 may interface with external payment systems 820. It is understood that participant accounts may be tracked at the market maker computer 800. Moreover, it is understood that account surpluses may be acquired by participants speculating in collectable goods may be invested in highly liquid and safe assets such as U.S. Treasury bills to provide and interest bearing accounting for positive cash balances. This provides an incentive, or at least a hedge against inflation, for a participant to keep funds within the collectible market place and to use these funds to speculate in the collectible market. By using funds available at the market maker computer 800 participants can reduce the transaction costs associated with credit cards and other transaction clearing means and optimize the participants' return on price movements in the buying and selling of collectable goods. It is within the scope of the present invention to allow access to the electronic collectable market through stock brokers, banks, and other transaction providers through these providers private transaction networks, e.g., those networks that use dial in telephone lines to home computers and/or dedicated data lines. It is within the scope of the present invention to allow professional investment advisors to operate funds such as investment companies, mutual fund partnerships and the like, that use collectable goods as part of the funds assets. It is understood that the market "history" may be archived and provided to investment advisors and/or posting terminal users and/or participants on a CD-ROM or other mass storage medium to allow off-line analysis of trends in the collectable goods market. This will allow or create a new class of "learned" speculators in this unique, novel and non-obvious electronic market place and network of trusted franchisees in the collectable goods domain. It is also within the scope to the present invention to create the liquidity, volume and availability analysis to allow the creation of a secondary and derivative market for option and futures contracts and other speculative constructs to be created with the underlying assets as collectable goods in the electronic market place of the present invention.
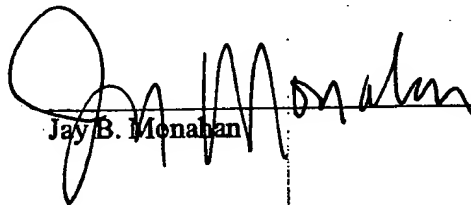
Many variations of the present invention are possible ~~without~~ once the present invention is known to those skilled in the arts and are within the spirit and scope of the present invention. Those skilled in the arts will be able to make many variations on the present invention once this invention is known to the arts.

Certificate of Service

I hereby certify, pursuant to 37 C.F.R. §§ 1.510(b)(5) and 1.33(c), that on this 22nd day of April, 2005, I caused a true and correct copy of the foregoing FILING IN APPLICATION NO. 09/670,562 to be served via overnight mail to the following:

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